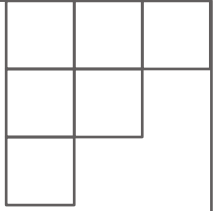
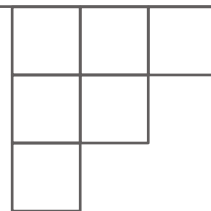




Fauji Cement Company Limited

Annual Report 2005





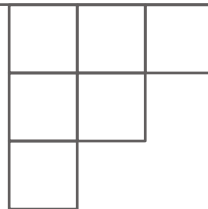
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Fauji Cement Company Limited

Company Information

at a glance

Board of Directors:

| | |
|---|----------------------|
| Lt Gen Syed Muhammad Amjad, HI, HI (M) (Retd) | Chairman |
| Maj Gen Malik Iftikhar Khan, HI (M) (Retd) | Chief Executive / MD |
| Mr. Qaiser Javed | Director |
| Mr. Riyaz H. Bokhari, IFU | Director |
| Brig Aftab Ahmad, SI (M) (Retd) | Director |
| Brig Ghazanfar Ali, SI (M) (Retd) | Director |
| Brig Munawar Ahmed Rana, SI(M) (Retd) | Director |
| Ms Tine Bremholm Kokfelt, FLS | Director |
| Mr. Azhar Iqbal Hussain | Director |

Company Secretary:

| | |
|---------------------------------|---|
| Brig Allah Ditta, SI (M) (Retd) | House No. 8, Street No. 30, Sector F-7/1, Islamabad - Pakistan Tel: (051) 9221690 Fax: (051) 9221693 E-mail: fcclsecy1@isd.wol.net.pk Website: http://www.fccl.com.pk |
|---------------------------------|---|

Audit Committee:

| | |
|-----------------------------|---|
| Mr. Qaiser Javed, President | Mr. Riyaz H. Bokhari, Member |
| | Brig Aftab Ahmad, SI (M) (Retd), Member |
| | Mr. Azhar Iqbal Hussain, Member |

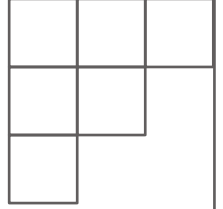
Registered Office and Marketing/Sales Department:

Ist Floor, Aslam Plaza,
60 Adam Jee Road, Saddar, Rawalpindi Pakistan
Tel: (051) 5523836, 5528042, 5528963-64
Fax: (051) 5528965-66



Fauji Cement Company Limited

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Company Information

at a glance

Factory:

Near Village Jhang, Tehsil Fateh Jang
District: Attock
Tel: 057-2538047-48, 2538138, 2538148-49
Fax: 057-2538025

Auditors:

M/s Taseer Hadi Khalid & Co,
Chartered Accountants
Fax No: (051) 2822671

Legal Advisors:

M/s Orr Dignam & Co, Advocates
Fax No: (051) 2260653
Farooq Law Associates, Advocates & Attorneys
Fax No: (051) 2272643

Registration & Shares Transfer Officer

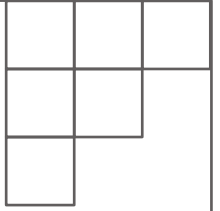
Mr. Aftab Muhammad Hafeez
Shares Manager
House No. 8, Street No. 30, Sector F-7/1, Islamabad
Tel: (051) 9221695



Fauji Cement Company Limited

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Chairman



Lt Gen Syed Muhammad Amjad

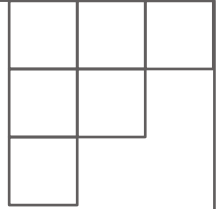
HI, HI (M) (Retired)



Fauji Cement Company Limited

Annual Report

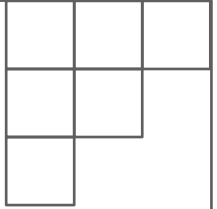
2005



Chief Executive & Managing Director



Maj Gen Malik Iftikhar Khan
HI (M) (Retired)



Board of Directors



Mr. Qaiser Javed



Mr. Riyaz H. Bokhari



Brig. Aftab Ahmad
SI, (M) (Retired)



Brig. Ghazanfar Ali
SI, (M) (Retired)



Brig. Munawar Ahmed Rana
SI, (M) (Retired)



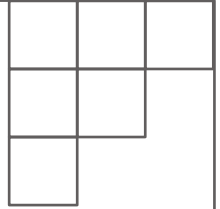
Ms. Tine Bremholm Kokfelt



Mr. Azhar Iqbal Hussain



Brig. Allah Ditta
SI, (M) (Retired)
Company Secretary



Vision Statement

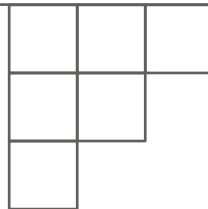
*To transform **FCCL** into a model cement manufacturing Company engaged in nation building through most efficient utilisation of resources and optimally benefiting all stake holders while enjoying public respect and goodwill.*

Mission Statement

***FCCL** while maintaining its leading position in quality of cement will build up on its present state of profitability with a view to ensuring optimum returns to the shareholders.*



Annual Report 2005



Fauji Cement Company Limited

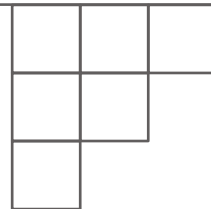
Operating Highlights

| Key Indicators | | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|----------------------------------|-----------|-----------|-------------|-------------|-------------|-----------|-----------|-----------|-----------|
| Operating | | | | | | | | | |
| Gross Profit Margin | % | (4.63) | 16.59 | 30.82 | 19.50 | 25.13 | 11.62 | 32.26 | 38.01 |
| Operating Profit Margin | % | (7.57) | 13.32 | 28.41 | 15.08 | 19.98 | 8.09 | 31.49 | 34.75 |
| Pre Tax Margin | % | (62.49) | (41.46) | (16.15) | (35.70) | (5.86) | (34.67) | (10.60) | 26.68 |
| After Tax Margin | % | (63.02) | (41.99) | (16.68) | (36.21) | (6.96) | (35.17) | 13.68 | 17.94 |
| Performance | | | | | | | | | |
| Return on total assets | % | (8.68) | (9.83) | (5.10) | (10.14) | (1.60) | (8.42) | 5.32 | 8.20 |
| Total Assets turnover | Times | 0.14 | 0.23 | 0.31 | 0.28 | 0.23 | 0.24 | 0.39 | 0.46 |
| Fixed Assets turnover | Times | 0.15 | 0.25 | 0.34 | 0.31 | 0.33 | 0.33 | 0.52 | 0.63 |
| Return on Paid up Share Capital | % | (29.84) | (32.86) | (16.52) | (33.30) | (2.63) | (12.67) | 7.49 | 12.17 |
| Leverage | | | | | | | | | |
| Debt Equity Ratio | Times | 2.25 | 3.47 | 5.07 | 20.06 | 2.05 | 2.66 | 1.88 | 1.26 |
| Current Ratio | Times | 0.32 | 0.15 | 0.13 | 0.11 | 1.42 | 1.53 | 1.54 | 0.92 |
| Quick Ratio | Times | 0.27 | 0.11 | 0.10 | 0.09 | 1.27 | 1.43 | 1.38 | 0.88 |
| Valuation | | | | | | | | | |
| Earnings per share(basic) | Rs | (2.98) | (3.29) | (1.65) | (3.33) | (0.64) | (1.43) | 0.85 | 1.38 |
| Breakup Value per share(basic) | Rs | 9.60 | 6.32 | 4.66 | 1.33 | 12.43 | 4.38 | 5.23 | 6.61 |
| Breakup Value per share(diluted) | Rs | 9.60 | 6.32 | 4.66 | 1.33 | 12.39 | 3.87 | 4.62 | 5.84 |
| Market Price per share | Rs | 3.99 | 2.98 | 3.74 | 2.42 | 3.40 | 7.23 | 14.15 | 12.76 |
| Historical Trends | | | | | | | | | |
| Sales-net | Rs in 000 | 811,277 | 1,340,411 | 1,696,581 | 1,575,604 | 1,586,606 | 1,510,738 | 2,296,231 | 2,845,143 |
| Gross Profit(Loss) | Rs in 000 | (37,535) | 222,339 | 522,887 | 307,202 | 398,707 | 175,605 | 740,824 | 1,081,576 |
| Operating Profit/(loss) | Rs in 000 | (61,425) | 178,601 | 482,081 | 237,677 | 317,023 | 122,213 | 723,084 | 988,673 |
| Profit/ (loss) before tax | Rs in 000 | (506,996) | (555,701) | (273,974) | (562,455) | (92,947) | (523,731) | (243,291) | 759,039 |
| Profit/ (loss) after tax | Rs in 000 | (511,245) | (562,901) | (282,974) | (570,455) | (110,480) | (531,381) | 314,148 | 510,490 |
| Financial Position | | | | | | | | | |
| Shareholders Equity | Rs in 000 | 1,645,004 | 1,082,103 | 799,129 | 228,674 | 2,156,367 | 1,624,986 | 1,939,134 | 2,449,624 |
| Property plant & Equipment | Rs in 000 | 5,446,980 | 5,376,742 | 5,139,740 | 5,210,007 | 4,854,117 | 4,659,449 | 4,729,254 | 4,717,315 |
| Working Capital | Rs in 000 | (819,017) | (1,845,043) | (2,646,994) | (3,342,227) | 223,735 | 249,006 | 202,345 | (93,224) |
| Non current liabilities | Rs in 000 | 3,041,114 | 2,477,347 | 1,715,216 | 1,660,706 | 4,204,714 | 4,215,938 | 3,599,103 | 2,567,218 |



Fauji Cement Company Limited

Annual Report 2005



Notice of 13th Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of the Company will be held at 09:30 A.M. on Thursday, 27 October 2005 at Hotel Pearl Continental, The Mall, Rawalpindi, to transact the following business:-

1. To confirm the minutes of 12th Annual General Meeting held on 12 October 2004.
2. To receive, consider and adopt the audited accounts of the Company alongwith the Directors' and the Auditors' Reports for the year ended 30 June 2005.
3. To appoint auditors of the Company and to fix their remuneration.
4. Any other business with the permission of the Chairman.

By order of the Board

Place: Rawalpindi
Date: 30 September 2005

Brig Allah Ditta, SI (M) (Retd)
Company Secretary

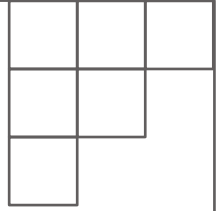
NOTES:

1. The Share Transfer Books of the Company will remain closed from 18 October 2005 to 27 October 2005 (both days inclusive). No transfer will be accepted for registration during this period.
2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in place of the member. Proxies, in order to be effective, must be received at the Registered Office located at First Floor, Aslam Plaza, 60 Adam Jee Road, Saddar, Rawalpindi, Pakistan duly stamped and signed, not less than 48 hours before the Meeting. A member may not appoint more than one proxy. Proxy Form is placed at the end. A copy of shareholder's attested NIC must be attached with the proxy form.
3. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:-
 - (A) For attending the Meeting
 - (1) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original national identity card or original passport at the time of attending the meeting.



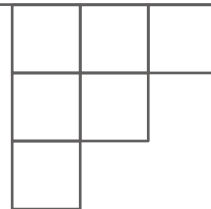
Fauji Cement Company Limited

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Notice of 13th Annual General Meeting

- (2) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced at the meeting.
- (B) For appointing proxies
 - (1) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
 - (2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
 - (3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
 - (4) The Proxy shall produce his/her original NIC or original passport at the time of meeting.
 - (5) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted alongwith proxy form to the Company.
4. Members are requested to promptly notify any change in their address.
5. For any other information, please contact Ph: 051-9221690, Fax No: 051-9221693, E-mail: fcclsecy1@isd.wol.net.pk and website: <http://www.fccl.com.pk>



Report of the Directors - 2005

General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present the 13th Annual Report alongwith Company's audited financial statements for the year ended 30 June 2005 and Auditors' Report thereon. With the kind blessings of Allah, the Company continued the consolidation process by way of enhanced profitability.

Market Overview

2. Cement industry in Pakistan has shown excellent performance in the year 2004-2005. The overall industry-wise sales of cement (including exports) rose to 16,353,345 tons i.e about 20% higher than the year 2003-2004, thus enhancing the average capacity utilisation from 81% to 91%. Your Company which already had a capacity utilisation of 88% last year improved it to 96% maintaining its position well above the industry average. Salient aspects of Company's performance are as under:-

| | 2004-2005 | 2003-2004 | Difference |
|--------------------------------|-----------|-----------|------------|
| Domestic Despatches (tons) | 798,472 | 719,165 | + 11.03% |
| Exports (tons) | 110,210 | 113,314 | -2.74% |
| Total Despatches (tons) | 908,682 | 832,479 | + 9.15% |
| Capacity Utilization (%) | 96.16 % | 88.09% | + 8.07% |
| Exports Share (%) | 7.04% | 10.13% | -3.09% |
| Net Sales (Rs. Million) | 2,845.143 | 2,296.231 | + 23.90% |
| Operating Profit (Rs. Million) | 988.673 | 723.084 | + 36.73% |

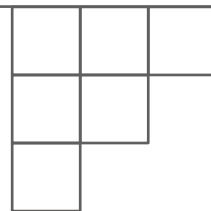
3. The growth trend in cement demand is expected to continue during the next year and the Company, with its enhanced capacity of 1,165,500 tons per annum, is well poised to retain its position amongst the better performing companies.

Production Aspects

4. During the year, performance of the plant remained highly satisfactory. Efficiency in terms of consumption of inputs at our plant is among the best, while our labour cost is also one of the lowest in the cement industry. Cement production and sales improved over the previous year inspite of stoppages for coal plant commissioning and upgradation. Comparative production and sales figures are given hereunder:-



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Fauji Cement Company Limited

| | | | 2004-2005 | 2003-2004 | Increase |
|-----------------------|--------|---|-----------|-----------|----------|
| a. Clinker | (tons) | = | 851,000 | 799,617 | 6.43% |
| b. Cement | (") | = | 912,195 | 826,203 | 10.41% |
| c. Average cost / ton | (Rs) | = | 1,940.80 | 1,868.40 | 3.87% |

5. To meet the increasing demand of cement in the local and international markets the capacity of plant has been upgraded from 3000 tons of clinker per day to 3700 tons clinker per day. By the Grace of Allah, upgradation has been successfully completed and the plant is in operation since 19 July 2005 with enhanced capacity. All operational parameters have been evaluated and tested in presence of F.L. Smidth representatives to verify the upgraded plant system.

6. In furtherance of the economy drive the Company has also undertaken the following:-

- a. We have successfully commissioned 30 tph coal mill, supplied by M/s CEMAG, Germany and plant was fully converted into coal firing system in October 2004.
- b. Two gas stations at kiln main burner and precalciner have been installed and are in operation with natural gas. Now plant is fully equipped to be operated either on coal, gas, furnace oil singly or mix of any two.
- c. 6 MW Gas Operated Capative Power Plant has been contracted with Allied Engineering which will comprise 3 x 2 MW Caterpillar gas engines. The Project is planned to be completed by March 2006.
- d. To meet the increased gas requirements of the Plant, a new contract for the supply of 13 MMCFD gas to FCCL was signed with SNGPL. For this purpose new gas pipeline with higher capacity has been laid and is operational.

Financial Performance

7. Increase in Profitability. We are pleased to report that during this year while the Company earned a Profit After Tax of Rs. 510.49 Million as compared to last year's profit of Rs. 314.148 Million, the profit from operations increased from Rs. 723 Million to Rs. 989 Million depicting an increase of 36.7 %. This achievement is mainly due to increase in capacity utilization to 96 % as compared to 88 % last year, stable market environment and economy in costs resulting from conversion to coal firing system.

8. Re-profiling of Long Term Loans

- a. In order to reduce the financial charges, FCCL prepaid the loans guaranteed by foreign lenders through a syndicated loan raised from the local banks. Termination of costly guarantees of foreign multinational institutions alongwith reduced mark up on local loans brought the Company considerable relief.



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| | | |
|--|--|--|
| | | |
| | | |
| | | |

Fauji Cement Company Limited

- b. Despite investment in coal firing plant and upgradation, the Company has reduced its long term debt by Rs. 570 Million.

Contribution to National Exchequer

9. The Company has contributed Rs. 1135.111 Million to the national exchequer in the form of taxes and duties which has been Rs.159.759 Million higher than the last year. Concurrently Fauji Cement earned USD 4.9 Million by export of Cement, providing valuable foreign exchange to the nation.

10. Salient Aspects of Company's Control and Reporting Systems

- a. The Company complies with all the requirements of the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. The Board's primary role is the protection and enhancement of long term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Company including approving the strategic direction put forward by management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for directors and senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Board has delegated responsibility for operation and administration of the company to the Chief Executive / Managing Director. Responsibilities are delineated by formal authority delegations. The Board has constituted the following committees:-

- (1) Audit
- (2) Technical
- (3) Human Resources

- b. These committees work under the guidance of the Board of Directors.

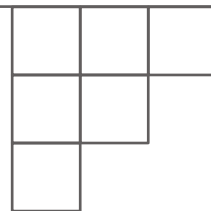
11. Presentation of Financial Statements. The financial statements prepared by the management present fairly and accurately the Company's state of affairs, the results of its operations, cash flows and changes in equity.

12. Books of Account. Proper books of account have been maintained.

13. Accounting Policies. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.



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Fauji Cement Company Limited

14. Compliance with International Accounting Standards (IAS). International Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements.

15. Internal Control System. The system of internal control is sound in design and has been effectively implemented and monitored.

16. Going Concern. There are no doubts upon the Company's ability to continue as a going concern.

17. Best Practices of Corporate Governance. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

18. Deviations from Last Year's Operating Results. The company has done better due to stable market environment, enhanced efficiency and re-profiling of debt.

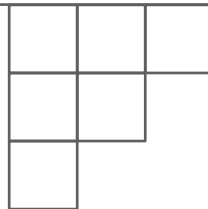
19. Financial Data of Last Six Years. Key operating and financial data of last six years is given below:-

| Description | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating Results (Rs. in Million) | | | | | | |
| Net Sales | 2,845.143 | 2,296.231 | 1,510.738 | 1,586.606 | 1,575.604 | 1,696.581 |
| Gross Profit | 1,081.576 | 740.824 | 175.605 | 398.707 | 307.202 | 522.887 |
| Operating Profit | 988.673 | 723.084 | 122.213 | 317.023 | 237.677 | 482.081 |
| Financial Charges | 229.634 | 204.223 | 463.409 | 416.732 | 807.856 | 763.906 |
| Profit/(Loss) after taxation | 510.490 | 314.148 | (531.381) | (110.480) | (570.455) | (282.974) |
| Balance Sheet | | | | | | |
| Shareholder's Equity | 2,449.624 | 1,939.134 | 1,624.986 | 2,156.367 | 228.674 | 799.129 |
| Fixed Assets | 4,717.315 | 4,729.254 | 4,659.449 | 4,854.117 | 5,210.007 | 5,139.740 |
| Long Term Loans Including Current portion | 3,075.000 | 3,645.347 | 4,325.878 | 4,412.582 | 4,588.028 | 3,723.456 |
| EPS (Rs) | | | | | | |
| Basic | 1.38 | 0.85 | (1.43) | (0.64) | (3.33) | (1.65) |
| Diluted | 1.22 | 0.75 | (1.27) | (0.63) | - | - |

20. Dividend. No dividend recommended because after taking a long term view of the Company's financials, it was felt that it will be in greater interest of the shareholders to opt for lessening the debt burden of the Company.



Annual Report 2005



Fauji Cement Company Limited

21. Outstanding Statutory Dues. The Company does not have any outstanding statutory dues except the ones appearing in Note No 6 to Annual Accounts 2004-2005. The same were subsequently deposited within the stipulated period allowed by statutory provisions.

22. Value of Investment of Employees. As on 30 June 2005 the value is given below:-

| | Management Staff | Non-Management Staff |
|------------------|------------------|----------------------|
| Provident Fund : | Rs. 26,245,290 | Rs. 19,580,134 |

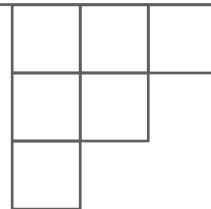
23. Attendance of Meetings. During the year (1 July 2004 to 30 June 2005) the Board of Directors held eight meetings. Attendance of each director is as follows:-

| | | |
|---|---|------------|
| * Lt Gen Syed Muhammad Amjad, HI, HI (M) (Retd) | - | 7 Meetings |
| * Maj Gen Rehmat Khan, HI (M) (Retd) | - | 8 Meetings |
| * Maj Gen Malik Iftikhar Khan, HI (M) (Retd) | - | 1 Meeting |
| * Brig Ghulam Hussain, SI (M) (Retd) | - | 3 Meetings |
| * Mr. Qaiser Javed | - | 7 Meetings |
| * Mr. Riyaz H. Bokhari, IFU | - | 7 Meetings |
| * Mr. Muhammad Raza Mirza, CDC | - | 1 Meeting |
| * Mr. Erling Frandsen, FLS | - | Nil |
| * Brig Aftab Ahmad, SI (M) (Retd) | - | 6 Meetings |
| * Brig Ghazanfar Ali, SI (M) (Retd) | - | 7 Meetings |
| * Mr. Nadir Rahman | - | 5 Meetings |
| * Brig Munawar Ahmed Rana, SI (M) (Retd) | - | 5 Meetings |
| * Mr. Azhar Iqbal Hussain | - | 1 Meeting |
| * Ms Tine Bremholm Kokfelt, FLS | - | Nil |

24. Disclosures. To the best of our knowledge, the Directors, CEO, CFO, Company Secretary, Company's Auditors, their spouses and their minor children have not undertaken any trading of Company's shares during the year 2004-2005.



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Fauji Cement Company Limited

Pattern of Share-holding

25. Pattern of share-holding as on 30 June 2005 is attached.

Relations With Personnel and Locals

26. Relations between the management and the workers continue to be extremely cordial based on mutual respect and confidence contributing to the optimal efficiency. The Company has allocated funds for Gratuity, Provident Fund and Profit Participation Fund for its employees.

27. Concurrently the Company continues to enjoy a high degree of goodwill and cooperation from locals as it respects the communities in which we work recognising their environment and constraints through responsible business practices. The Company runs a free dispensary for the locals and also provides good education facilities upto secondary school level at relatively economical terms.

Change of Directors

28. Following changes have taken place:-

- a. On retirement of Maj Gen Rehmat Khan, HI (M) (Retd), Maj Gen Malik Iftikhar Khan, HI (M) (Retd), has been appointed as Managing Director and Chief Executive of the Company wef 19 July 2005.
- b. On retirement of Brig Ghulam Hussain, SI(M) (Retd), Brig Munawar Ahmed Rana, SI(M) (Retd), has been appointed as Director of the Company wef 04 November 2004.
- c. On resignation of Mr. Erling Frandsen, FLS, Ms Tine Bremholm Kokfelt, FLS has been appointed as Director of the Company wef 03 December 2004.
- d. On resignation of Mr. Nadir Rahman, Mr. Azhar Iqbal Hussain, has been appointed as Director of the Company wef 06 May 2005.
- e. Mr Muhammad Raza Mirza, CDC resigned from the directorship of the Company wef 18 October 2004, as CDC had divested their entire shareholding in the Company.

29. The Board places on record its appreciation of the invaluable services rendered by Maj Gen Rehmat Khan, HI(M) (Retd). The outgoing Managing Director contributed immensely to the stature of the Company during his three years term. The Board also acknowledges the contribution of outgoing directors Brig Ghulam Hussain (Retd), Mr. Erling Frandsen, Mr. Nadir Rahman and Mr. Muhammad Raza Mirza.



Annual Report 2005

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Fauji Cement Company Limited

30. The Board is pleased to welcome Maj Gen Malik Iftikhar Khan, HI (M) (Retd) who has joined as the new Managing Director and also the new directors Brig Munawar Ahmed Rana (Retd), Ms Tine Bremholm Kokfelt and Mr. Azhar Iqbal Hussain.

Auditors

31. The present auditors M/s Taseer Hadi Khalid & Co, Chartered Accountants, will retire at the conclusion of the 13th Annual General Meeting and, being eligible, have offered themselves for re-appointment. They are also recommended by the Audit Committee.

Product Quality

32. Fauji Cement endeavours to be the best quality cement in Pakistan which is amply reflected in its high demand, both domestically and abroad. As a Company, FCCL is focused on customer satisfaction, employee morale and fair deal to its partners in business. It strictly adheres to the following:-

- a. Quality Policy. Customer Satisfaction through Excellence in Quality.
- b. Objectives
 - (1) To be a cost effective and efficient organisation.
 - (2) Continuous improvement through training.
 - (3) Commitment to leadership and team-work.
 - (4) Emphasis on customers' satisfaction.
 - (5) To maintain quality culture within FCCL.
 - (6) To remain a leading manufacturer of high quality Portland Cement in Pakistan.

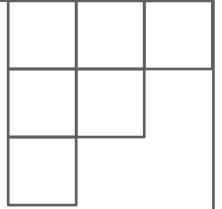
33. The Company is also in the process of acquiring ISO Certificate 9001-2000.

Future Outlook

34. Current growth trends in cement sector are a product of multi-faceted national and regional environment in which Government's incentives for construction industry and enhanced allocations for PSDP have played a major role. However, the planned capacity enhancements are likely to adversely impact the demand supply situation with its attendant repercussions for the industry. Fauji Cement is well poised to deal with the challenges that lie ahead.



Annual Report 2005



Fauji Cement Company Limited

Acknowledgements

35. The Directors express their deep appreciation of our valued customers, the dedication of Company's employees and the cooperation of financial institutions / government agencies, which has enabled the Company to display good performance both in operational and financial fields.

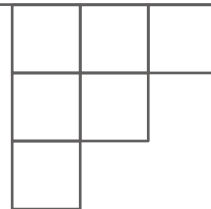
Conclusion

36. With profound thanks for the blessings of Allah Almighty, the Board is of the opinion that the Company is now well on its way to success.

For and on behalf of the Board

Rawalpindi
15 September 2005

Lt Gen Syed Muhammad Amjad, HI, HI(M) (Retd)
Chairman



Statement of Compliance with the Code of Corporate Governance For the Year Ended 30 June 2005

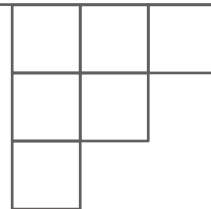
This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board comprises nine directors out of whom only one is executive director. Remaining eight (including the Chairman) are non-executive directors.
2. The directors have confirmed that none is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring in the Board as a result of resignation by various directors were filled up by the directors expeditiously as per clause (vi) of Code of Corporate Governance.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policy guidelines of the Company. The Management has further elaborated these guidelines into detailed control systems. A complete record of particulars of significant policies along-with the dates on which they were approved or amended has been maintained. The same are being updated.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman except one meeting which was presided over by CEO as the Chairman was not available. The Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.



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Fauji Cement Company Limited

9. Orientation course for Directors and officials of the Company was held on 22 June 2005. Mr. Etrat H. Rizvi, Commissioner SECP conducted the course. Following attended:-

- | | | | |
|----|--|---|---|
| a. | Lt Gen Syed Muhammad Amjad, HI, HI(M) (Retd) | - | Chairman |
| b. | Maj Gen Rehmat Khan, HI (M) (Retd) | - | Chief Executive / Managing Director |
| c. | Maj Gen Malik Iftikhar Khan, HI(M) (Retd) | - | Chief Executive / Managing Director (Designate) |
| d. | Mr. Qaiser Javed | - | Director |
| e. | Brig Aftab Ahmad, SI (M) (Retd) | - | Director |
| f. | Brig Ghazanfar Ali, SI (M) (Retd) | - | Director |
| g. | Brig Munawar Ahmed Rana, SI (M) (Retd) | - | Director |
| h. | Mr. Azhar Iqbal Hussain | - | Director |
| j. | Brig Allah Ditta, SI (M) (Retd) | - | Company Secretary |
| k. | Mr. Muhammad Uzair | - | Acting Chief Financial Officer |

10. The Board has approved the appointment of Acting CFO and Company Secretary including their remuneration and terms and conditions of employment as determined by the CEO. The Head of Internal Audit has the access to the chair of Audit Committee, whenever necessary.

11. The Directors' Report for FY 2004-2005 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and Acting CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company, other than that disclosed in pattern of share-holding.

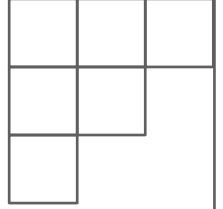
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises four members and all of them are non-executive directors including the President of the Committee.



Fauji Cement Company Limited

Annual Report 2005



16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and annual results of the Company and as required by the Code. The committee is following the terms of reference given in the Code of Corporate Governance.

17. The Board has set up an effective internal audit function. The officials conducting internal audit are considered suitably qualified and experienced for the purpose; and are conversant with the policies and procedures of the Company and they are involved in internal audit function on full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the code have been appropriately complied with to ensure transparency, accountability and efficiency.

Rawalpindi
15 September 2005

Lt Gen Syed Muhammad Amjad, HI, HI (M), (Retd)
Chairman
NIC No 36302-0407304-1



Fauji Cement Company Limited

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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Cement Company Limited ("the Company") to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Islamabad
7 September 2005

Taseer Hadi Khalid & Co.
Chartered Accountants



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Auditors' Report to the Members of Fauji Cement Company Limited

We have audited the annexed balance sheet of Fauji Cement Company Limited ("the Company") as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



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Fauji Cement Company Limited

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2005 and of the profit, its cash flow and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Islamabad
7 September 2005

Taseer Hadi Khalid & Co.
Chartered Accountants



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Fauji Cement Company Limited

Balance Sheet as at 30 June 2005

| | Note | 2005 Rupees | 2004 Rupees |
|--|------|------------------------|------------------------|
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 3 | 4,194,422,350 | 4,194,422,350 |
| Accumulated loss | | <u>(1,744,797,889)</u> | <u>(2,255,288,327)</u> |
| | | 2,449,624,461 | 1,939,134,023 |
| NON - CURRENT LIABILITIES | | | |
| Long term financing | 4 | 2,522,005,000 | 3,558,839,081 |
| Deferred liabilities - Staff retirement benefits | 5 | 45,212,891 | 40,264,085 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 6 | 275,717,716 | 272,475,377 |
| Markup accrued | | 69,356,833 | 13,132,567 |
| Short term borrowing | 7 | 308,876,433 | - |
| Current portion of long term financing | 4 | 552,995,000 | 86,508,407 |
| | | 1,206,945,982 | 372,116,351 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 8 | <u>6,223,788,334</u> | <u>5,910,353,540</u> |

The annexed notes 1 to 34 form an integral part of these financial statements.

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 07 September 2005.

Chief Executive



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Fauji Cement Company Limited

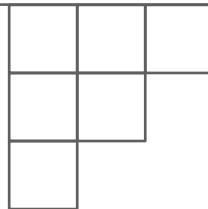
| | Note | 2005 Rupees | 2004 Rupees |
|---|------|----------------------|----------------------|
| FIXED ASSETS - Tangible | | | |
| Property, plant and equipment | 9 | 4,717,315,487 | 4,729,253,967 |
| LONG TERM ADVANCE | 10 | 9,000,000 | - |
| LONG TERM DEPOSITS | 11 | 46,611,000 | 36,600,000 |
| DEFERRED TAX ASSET - Net | 12 | 337,140,244 | 570,038,539 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 13 | 297,875,556 | 197,400,283 |
| Stock in trade | 14 | 55,931,122 | 61,599,838 |
| Trade debts | 15 | 107,231,093 | 44,788,587 |
| Advances-considered good | 16 | 23,589,339 | 35,620,713 |
| Trade deposits, short term prepayments and balances with statutory authorities | 17 | 8,857,380 | 25,604,710 |
| Interest accrued | | 1,001,662 | 2,174,955 |
| Other receivables | 18 | 8,235,163 | 645,050 |
| Income tax refundable-net | | 7,890,628 | 9,538,784 |
| Cash and bank balances | 19 | 603,109,660 | 197,088,114 |
| | | 1,113,721,603 | 574,461,034 |
| | | <u>6,223,788,334</u> | <u>5,910,353,540</u> |

Director



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2005



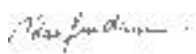
Fauji Cement Company Limited

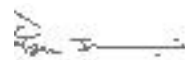
Profit and Loss Account

For the year ended 30 June 2005

| | Note | 2005 Rupees | 2004 Rupees |
|--|------|----------------------|----------------|
| SALES | 20 | 3,921,362,540 | 3,247,262,167 |
| Less: Government levies | 20 | 1,076,219,418 | 951,030,699 |
| NET SALES | | 2,845,143,122 | 2,296,231,468 |
| Less: Cost of sales | 21 | 1,763,566,940 | 1,555,407,148 |
| GROSS PROFIT | | 1,081,576,182 | 740,824,320 |
| Other operating income | 22 | 11,215,734 | 42,744,472 |
| | | 1,092,791,916 | 783,568,792 |
| Distribution cost | 23 | 21,332,774 | 20,416,474 |
| Administrative expenses | 24 | 42,293,182 | 39,535,952 |
| Other operating expenses | 25 | 40,493,110 | 532,500 |
| PROFIT FROM OPERATIONS | | 988,672,850 | 723,083,866 |
| Finance cost | 26 | 229,634,117 | 204,222,647 |
| Amortization of deferred cost | | - | 762,151,922 |
| NET PROFIT/(LOSS) BEFORE TAXATION | | 759,038,733 | (243,290,703) |
| Taxation | | | |
| - Current | 27 | (15,650,000) | (12,600,000) |
| - Deferred | | (232,898,295) | 570,038,539 |
| | | (248,548,295) | 557,438,539 |
| NET PROFIT AFTER TAXATION | | 510,490,438 | 314,147,836 |
| Earnings per share - Basic | 28.1 | 1.38 | 0.85 |
| Earnings per share - Diluted | 28.2 | 1.22 | 0.75 |

The annexed notes 1 to 34 form an integral part of these financial statements.


Chief Executive


Director



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Fauji Cement Company Limited

Cash Flow Statement For the year ended 30 June 2005

| | Note | 2005 Rupees | 2004 Rupees |
|--|------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Net profit/(loss) before taxation | | 759,038,733 | (243,290,703) |
| Adjustments for: | | | |
| Depreciation | | 256,283,073 | 245,806,428 |
| Amortisation of deferred cost | | - | 762,151,922 |
| Provision for staff retirement benefits | | 6,666,759 | 14,597,994 |
| Provision for doubtful debts written back | | - | (32,680,086) |
| Finance costs | | 229,634,117 | 204,222,647 |
| Gain on disposal of property, plant and equipment | | (4,749,951) | (377,646) |
| Interest income | | (3,820,738) | (9,517,468) |
| | | <u>484,013,260</u> | <u>1,184,203,791</u> |
| Operating cash flows before working capital changes | | 1,243,051,993 | 940,913,088 |
| Increase in stores and stocks | | (84,109,164) | (19,470,603) |
| (Increase)/decrease in trade debts | | (62,442,506) | 456,261 |
| Decrease in advances | | 12,031,374 | 4,701,300 |
| Decrease/(increase) in trade deposits and prepayments | | 16,747,330 | (12,435,905) |
| (Increase)/decrease in other receivables | | (7,623,771) | 32,797,748 |
| Increase in trade and other payables | | 79,740,669 | 60,129,735 |
| | | <u>(45,656,068)</u> | <u>66,178,536</u> |
| Cash generated from operations | | 1,197,395,925 | 1,007,091,624 |
| Staff retirement benefits paid | | (1,717,953) | (1,784,558) |
| Taxes paid | | (14,001,844) | (16,349,822) |
| Net cash from operating activities | | <u>1,181,676,128</u> | <u>988,957,244</u> |
| Cash flows from investing activities | | | |
| Additions in property, plant and equipment | | (255,908,329) | (319,754,253) |
| Claim received on insurance of property, plant and equipment | | 555,000 | 1,494,000 |
| Proceeds from disposal of property, plant and equipment | | 5,061,294 | 100,000 |
| Long term advance | | (9,000,000) | 4,000,000 |
| Long term deposit | | (10,011,000) | (15,000,000) |
| Interest received on bank deposits | | 5,027,689 | 8,021,947 |
| Net cash used in investing activities | | <u>(264,275,346)</u> | <u>(321,138,306)</u> |
| Cash flows from financing activities | | | |
| Repayment of long term finances | | (3,870,347,488) | (1,324,961,225) |
| Proceeds from long term finances | | 3,300,000,000 | 973,924,959 |
| Finance cost paid | | (249,908,181) | (297,772,292) |
| Net cash used in financing activities | | <u>(820,255,669)</u> | <u>(648,808,558)</u> |
| Increase in cash and cash equivalents | | 97,145,113 | 19,010,380 |
| Cash and cash equivalents at beginning of the year | | 197,088,114 | 178,077,734 |
| Cash and cash equivalents at end of the year | 29 | <u>294,233,227</u> | <u>197,088,114</u> |

The annexed notes 1 to 34 form an integral part of these financial statements.

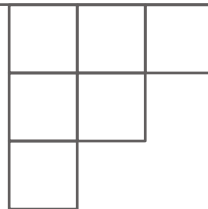
Chief Executive

Director



Annual Report

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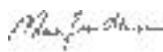
Fauji Cement Company Limited

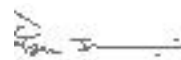
Statement of Changes in Equity

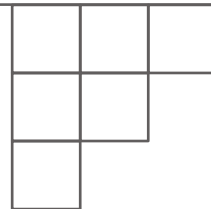
For the year ended 30 June 2005

| | Ordinary share capital Rupees | Preference share capital Rupees | Accumulated loss Rupees | Total Rupees |
|----------------------------|-------------------------------------|---------------------------------------|-------------------------------|----------------------|
| Balance as at 30 June 2003 | 3,707,430,480 | 486,991,870 | (2,569,436,163) | 1,624,986,187 |
| Profit for the year | - | - | 314,147,836 | 314,147,836 |
| Balance as at 30 June 2004 | 3,707,430,480 | 486,991,870 | (2,255,288,327) | 1,939,134,023 |
| Profit for the year | - | - | 510,490,438 | 510,490,438 |
| Balance as at 30 June 2005 | <u>3,707,430,480</u> | <u>486,991,870</u> | <u>(1,744,797,889)</u> | <u>2,449,624,461</u> |

The annexed notes 1 to 34 form an integral part of these financial statements.


Chief Executive


Director



Notes to the Financial Statements

For the year ended 30 June 2005

1 LEGAL STATUS AND OPERATIONS

Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984. The Company commenced its business with effect from 22 May 1993. The shares of the Company are quoted on the Karachi, Islamabad and Lahore Stock Exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of ordinary portland cement. The Company's registered office is situated at Aslam Plaza, Adamjee Road, Rawalpindi. Fauji Foundation holds 52% of its shares as a main sponsor of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ from the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Taxation

Current

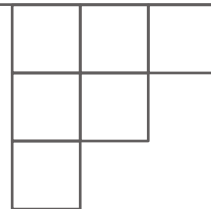
Provision for current taxation is based on taxable income at current rates of taxation.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent to which it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment loss if any. Freehold land and capital work in progress are stated at cost. Stores and spares held for capital expenditure are valued at moving



average basis less allowance for impairment, if any. Cost of property, plant and equipment includes borrowing cost during construction phase of relevant asset and exchange differences previously capitalized which related to foreign currency loans obtained for financing of relevant asset.

Depreciation is charged to income on the straight line method so as to write off the cost of the property, plant and equipment over their estimated useful lives at the rates specified in note 9. Capitalized exchange differences are depreciated in annual installments so as to write them off over the remaining estimated useful life of the property, plant and equipment.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.5 Intangible asset

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such assets can also be measured reliably. The assets so recognized are amortized over the period during which the related economic benefits are likely to accrue to the Company. Intangible assets are stated at cost less accumulated amortization.

2.6 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

2.7 Stores, spares and loose tools

These are stated at moving average cost less allowance for impairment, if any. Items in transit are valued at cost comprising invoice value and other charges paid thereon.

2.8 Stock in trade

Stocks are valued at lower of cost and net realizable value. Cost in relation to raw and packing materials is determined on first-in-first-out basis and in relation to work in process and finished goods represents average cost comprising direct material, labour and appropriate manufacturing overheads. Net realizable value represents the selling price less estimated cost of completion and estimated cost necessarily to be incurred for sale.

2.9 Foreign currency transactions

Transactions in foreign currencies are recorded into local currency at the rates of exchange prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Exchange differences are accounted for as follows:



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- (a) Exchange differences on translation and repayment of foreign currency loans utilized for acquisition of fixed assets were previously capitalized and incorporated in the cost of the related asset.
- (b) All other exchange differences are dealt with through the profit and loss account.

2.10 Revenue recognition

Sales are recorded on dispatch of goods to the customers. Profit on deposits and advances is accounted for on a time proportion basis using the applicable rate of interest.

2.11 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less repayments, while the difference between the cost (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective mark-up basis.

2.12 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

Derivative financial instruments

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of the derivative financial instrument are recognized in the profit and loss account, along with any changes in the carrying value of the hedged liability.

Trade and other payables

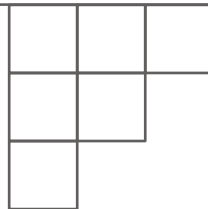
Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice value / cost less allowance for impairment.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.



2.13 Borrowing cost

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the related qualifying asset. All other mark-up, interest and related charges are charged to profit and loss account.

2.14 Staff retirement benefits

Gratuity

The Company operates a defined benefit plan comprising an unfunded gratuity scheme, under which benefits are paid on cessation of employment subject to minimum qualification period of service. The liability under the plan is determined on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method' and is charged to profit and loss account. The Company has a policy of carrying out actuarial valuation after every two years. The latest valuation was conducted as of 30 June 2005. Significant actuarial assumptions are as follows:

| | |
|----------------------------------|---------------|
| Discount rate | 9 % per annum |
| Rate of increase of eligible pay | 8 % per annum |

Unrecognised actuarial gains and losses are amortised over the expected average remaining working lives of the employees participating in the plan in accordance with International Accounting Standard (IAS) 19 "Employee Benefits".

Provident fund

The Company also operates a defined contribution provident fund scheme for permanent employees. Monthly contributions are made to the fund by the Company and employees at an agreed rate of salary.

Compensated absences

The Company also provides for compensated absences of its employees on unavailed leaves according to the Company's policy.

2.15 Cash and cash equivalents

Cash and cash equivalent are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cheques in hand, deposits in banks and short term borrowing.

2.16 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.



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Fauji Cement Company Limited

3 SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2005 Numbers | 2004 Numbers | | 2005 Rupees | 2004 Rupees |
|---|--------------------|---|----------------------|----------------------|
| Ordinary shares | | | | |
| 171,310,499 | 171,310,499 | Ordinary shares of Rs. 10 each fully paid in cash | 1,713,104,990 | 1,713,104,990 |
| 199,432,549 | 199,432,549 | Ordinary shares of Rs. 10 each issued at a discount of Rs 3.85 per share - paid in cash | 1,994,325,490 | 1,994,325,490 |
| <u>370,743,048</u> | <u>370,743,048</u> | | <u>3,707,430,480</u> | <u>3,707,430,480</u> |
| Preference shares (note 3.1) | | | | |
| 48,699,187 | 48,699,187 | Preference shares of Rs. 10 each issued at a discount of Rs 3.85 per share - paid in cash | 486,991,870 | 486,991,870 |
| <u>419,442,235</u> | <u>419,442,235</u> | | <u>4,194,422,350</u> | <u>4,194,422,350</u> |

AUTHORISED SHARE CAPITAL

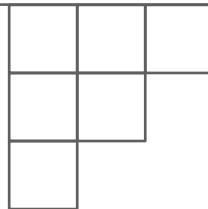
This represents 551,300,813 ordinary shares of Rs. 10 each and 48,699,187 preference shares of Rs. 10 each.

3.1 Preference shares have the following characteristics :

- (i) Entitling the holder to receive cumulative preferential dividend in amounts and during the years set out below (preferential dividend) in the event the Company has funds available from operations to pay the preferential dividend, it is profitable and current on its debt service obligations:



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Fauji Cement Company Limited

| Year ending | Amount of dividend Rupees |
|-------------|------------------------------|
| 2007 | 8,360,597 |
| 2008 | 8,360,597 |
| 2009 | 16,721,193 |
| 2010 | 33,442,386 |
| 2011 | 66,884,772 |
| 2012 | 175,572,527 |
| 2013 | 210,687,032 |
| 2014 | 227,408,225 |
| 2015 | 240,785,179 |

- (ii) Convertible into ordinary shares at any time without further payment, such conversion being irreversible once exercised.
- (iii) Except as provided above, having the same rights as ordinary shares in the Company including pari passu voting rights with ordinary shares.

3.2 Fauji Foundation holds 169,780,232 (2004: 169,780,232) ordinary shares and 48,699,187 (2004: 48,699,187) preference shares of the Company at the year end.

4 LONG TERM FINANCING

| | Balance Outstanding | | Interest/ mark up rate per annum | Repayment terms | |
|--|---------------------|----------------|--|-----------------------|-------------------------|
| | 2005 Rupees | 2004 Rupees | | No of installments | Final Repayment Date |
| Loans from banking companies and other financial institutions | | | | | |
| Local loans-secured (4.1) | | | | | |
| (i) Askari Commercial Bank Limited | - | 83,014,144 | | | |
| (ii) Saudi Pak Agricultural and Investment Company (Private) Limited | - | 33,534,547 | | | |
| | | 116,548,691 | | | |
| Deferred mark up at fair value | - | 16,703,147 | | | |
| | - | 133,251,838 | | | |



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Fauji Cement Company Limited

| | Balance Outstanding | | Interest/ mark up rate per annum | Repayment terms | |
|--|---------------------|----------------|--|-----------------------|-------------------------|
| | 2005 Rupees | 2004 Rupees | | No of installments | Final Repayment Date |
| Refinanced loans guaranteed by foreign lenders - secured | | | | | |
| (iii) Syndicated term finance arrangement (STFA)-Phase 1 | | | | | |
| Standard Chartered Bank | — | 178,042,399 | | | |
| Standard Chartered Bank | — | 178,042,399 | | | |
| Habib Bank Limited | — | 205,135,808 | | | |
| National Bank of Pakistan | — | 116,114,608 | | | |
| | — | 677,335,214 | | | |
| (iv) Syndicated term finance arrangement (STFA)-Phase II | | | | | |
| - Facility 1 | | | | | |
| Habib Bank Limited | — | 246,122,125 | | | |
| Muslim Commercial Bank Limited | — | 309,967,575 | | | |
| Standard Chartered Bank | — | 371,961,089 | | | |
| | — | 928,050,789 | | | |
| - Facility 2 Tranch I and II | | | | | |
| Habib Bank Limited | — | 440,699,995 | | | |
| - Facility 2 Tranch III | | | | | |
| Habib Bank Limited | — | 138,125,468 | | | |
| Muslim Commercial Bank Limited | — | 104,430,477 | | | |
| | — | 242,555,945 | | | |
| - Facility 2 Tranch IV | | | | | |
| Habib Bank Limited | — | 161,285,216 | | | |
| Muslim Commercial Bank Limited | — | 88,243,532 | | | |
| | — | 249,528,748 | | | |
| - Facility 2 Tranch V | | | | | |
| Habib Bank Limited | — | 226,403,915 | | | |
| Muslim Commercial Bank Limited | — | 126,554,662 | | | |
| | — | 352,958,577 | | | |
| - Facility 2 Final Tranch | | | | | |
| Habib Bank Limited | — | 363,024,369 | | | |
| Muslim Commercial Bank Limited | — | 207,942,013 | | | |
| | — | 570,966,382 | | | |
| | — | 3,462,095,650 | | | |



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Fauji Cement Company Limited

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| | Balance Outstanding | | Interest/ mark up rate per annum | Repayment terms | |
|--|----------------------|----------------|--|-----------------------|-------------------------|
| | 2005 Rupees | 2004 Rupees | | No of installments | Final Repayment Date |
| (v) Syndicated term finance facility - secured (4.2) | | | | | |
| Habib Bank Limited | 916,666,667 | — | 6 months KIBOR rate +1.75 | 12 semi annual | September 23, 2010 |
| Muslim Commercial Bank Limited | 916,666,667 | — | 6 months KIBOR rate +1.75 | 12 semi annual | September 23, 2010 |
| United Bank Limited | 458,333,333 | — | 6 months KIBOR rate +1.75 | 12 semi annual | September 23, 2010 |
| Bank Al Falah Limited | 458,333,333 | — | 6 months KIBOR rate +1.75 | 12 semi annual | September 23, 2010 |
| PICIC Commercial Bank Limited | 275,000,000 | — | 6 months KIBOR rate +1.75 | 12 semi annual | September 23, 2010 |
| | 3,025,000,000 | — | | | |

Loan from related party

(vi) Local currency - unsecured

| | | | | | |
|---------------------------------------|-----------------------------|----------------------|---|----------------|------------------|
| Fauji Foundation (4.3) | <u>50,000,000</u> | <u>50,000,000</u> | SBP discount rate less 1.5% (Floor 6%) | 20 semi annual | December 31,2014 |
| | 3,075,000,000 | 3,645,347,488 | | | |
| Less: Amount payable within 12 months | | | | | |
| shown under current liabilities | 552,995,000 | 86,508,407 | | | |
| | <u>2,522,005,000</u> | <u>3,558,839,081</u> | | | |

4.1 During the year, the Company prepaid these local currency loans. Upon prepayment, lenders allowed adjustment of deferred mark up, which is as follows:

| Lenders | Rupees |
|---|-------------------|
| Askari Commercial Bank Limited | 11,260,608 |
| Saudi Pak Agricultural and Investment Company (Private) Limited | 7,151,056 |
| | <u>18,411,664</u> |

4.2 During the year the Company has obtained syndicated term financing facility from local banks for the prepayment of refinanced loans guaranteed by foreign lenders amounting to Rs. 3,462,095,650/- which is secured against mortgage and first charge ranking pari passu on all assets of the Company. Guarantees of the foreign lenders were terminated as a result of these prepayments.

4.3 This represents a loan obtained from Fauji Foundation for a period of 11 years including a grace period of 1 year at a markup rate of SBP discount rate less 1.5% per annum repayable in 20 half yearly installments.



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Fauji Cement Company Limited

| | 2005 Rupees | 2004 Rupees |
|--|--------------------|--------------------|
| 5 DEFERRED LIABILITIES - Staff retirement benefits | | |
| Gratuity | | |
| Present value of obligation | 18,932,129 | 15,856,541 |
| Less: non-vested past services cost | (81,428) | (162,857) |
| Add: un-recognized actuarial gain/(loss) | 387,871 | (147,429) |
| Less: un-recognized transitional liability due to adoption of IAS 19 | <u>(2,297,080)</u> | <u>(3,062,773)</u> |
| | <u>16,941,492</u> | <u>12,483,482</u> |
| Balance at beginning of the year | 12,483,482 | 8,414,131 |
| Add: Charge for the year - (5.1) | 4,951,187 | 4,739,023 |
| | 17,434,669 | 13,153,154 |
| Less: Amount paid during the year | 493,177 | 669,672 |
| | 16,941,492 | 12,483,482 |
| Compensated absences | | |
| Balance at beginning of the year | 27,780,603 | 19,036,518 |
| Add: Charge for the year | 1,715,572 | 9,858,971 |
| | 29,496,175 | 28,895,489 |
| Less: Amount paid during the year | 1,224,776 | 1,114,886 |
| | 28,271,399 | 27,780,603 |
| | <u>45,212,891</u> | <u>40,264,085</u> |
| 5.1 Charge for the year comprises | | |
| Transitional liability due to adoption of IAS-19 | 765,693 | 765,692 |
| Current service cost | 2,835,542 | 2,757,242 |
| Interest cost | 1,268,523 | 1,134,660 |
| Past service cost | 81,429 | 81,429 |
| | <u>4,951,187</u> | <u>4,739,023</u> |
| 6 TRADE AND OTHER PAYABLES | | |
| Creditors | 45,968,679 | 45,651,260 |
| Accrued liabilities | 67,118,873 | 63,424,554 |
| Retention money | 10,533,142 | 10,818,692 |
| Accrued fees and charges on long term financing - Secured | - | 496,723 |
| Guarantee commission on refinanced loans-Secured | - | 76,001,607 |
| Security deposits | 28,982,020 | 25,462,020 |
| Advances from customers | 42,443,520 | 23,121,103 |
| Workers' Profit Participation Fund (6.1) | 39,949,407 | - |
| Sales tax payable | 31,300,220 | 22,303,720 |
| Excise duty payable | 3,536,739 | 58,129 |
| Other liabilities | 5,885,116 | 5,137,569 |
| | <u>275,717,716</u> | <u>272,475,377</u> |



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Fauji Cement Company Limited

| | 2005 Rupees | 2004 Rupees |
|---|--------------------|----------------|
| 6.1 Computation of Workers' Profit Participation Fund (WPPF) | | |
| Profit before tax and WPPF | <u>798,988,140</u> | <u>-</u> |
| Charge for the year at the rate of 5% | <u>39,949,407</u> | <u>-</u> |

7 SHORT TERM BORROWING - SECURED

The Company has obtained running finance facility of Rs. 500 million (June 2004: Nil) from United Bank Limited (banking company). This facility is secured against first charge ranking pari passu by way of hypothecation over the present and future assets of the Company (excluding land and building) and carries mark-up of three months KIBOR + 1.25 % of the utilized amount. The facility is due to mature on 17 September 2005.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

a] The Custom Authorities allowed release of plant and machinery imported by the Company at concessionary rates of duty in terms of SRO 484(1)/92 dated May 14, 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery the Custom Authorities raised a demand of Rs. 828.342 million in respect of items which are considered by the Central Board of Revenue (CBR) as not qualifying for the concessionary rate of duty. The status of the cases out of the above amount are as follows:

- (i) Case for Rs. 347.048 million was decided in the Company's favour by the Sindh High Court (SHC).
- (ii) Case for Rs. 15.797 million was decided by the SHC against the Company.

Both the above cases are pending in appeals before the Supreme Court of Pakistan.

- (iii) Case for Rs. 87.442 million is pending before SHC.
- (iv) Demand for Rs. 39.285 million is pending with Custom Authorities.
- (v) A demand of Rs. 20.257 has been raised by the Assistant Collector of Customs on September 21, 2004 and the Company has asked for details of this claim.
- (vi) Remaining amount of Rs. 318.514 million has been claimed by Custom Authorities by revising the above custom duty as being short levied as per letter No. SI/NISC/IB/191/96-VI dated 31 December 1999.

In the opinion of the management, all the above cases will ultimately be decided in favour of the Company.



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Fauji Cement Company Limited

- b] The Company is contesting a claim for damages in civil court, filed by a supplier of raw material upon termination of his contract of services. Arbitrators of the case have ascertained a liability of Rs. 32.979 million payable by the Company. Arbitration award is not converted in to court order. The Company has provided an amount of Rs. 14.923 million in these financial statements and is confident that the case for the remaining amount will ultimately be decided in favour of the Company.
- c] The Company is contesting a claim for damages amounting to EURO 833,120 in a tribunal of Arbitrators filed by a supplier of Plant & Machinery, However, no liability has been accounted for, as the management is confident that the case will be ultimately be decided in favour of the Company.
- d] Claims for central excise duty amounting to Rs. 6.229 million alongwith the associated penalty and additional tax, not recorded as a liability is currently contested by the Company. Management is confident of a favourable outcome of these cases.
- e] Claims against the Company not acknowledged as debts of Rs. 1.6 million (June 2004: Rs.1.6 million) are pending in Lahore High Court (LHC).
- f] The Company is contingently liable in respect of guarantees amounting to Rs. 19.79 million (June 2004: Rs. 18.79 million) issued by banks and insurance companies on behalf of the Company in the normal course of business.
- g] Indemnity bonds of Rs. 3.439 million (June 2004: Rs. 3.439 million) have been issued to the Custom Authorities.
- h] For tax related contingencies, refer to note 27.

8.2 Commitments

- a] The Company has opened Letters of Credit for the import of machinery, spare parts and coal valuing Rs. 150.706 million (June 2004: Rs. 155.405 million).
- b] Capital commitments of Rs. 103.440 million (June 2004: Rs. 19.372 million) in respect of purchase of power plant.



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9 PROPERTY, PLANT AND EQUIPMENT

| | COST | | | Depreciation | | | Written down value as at 30 June 2005 | Rate of depreciation % | |
|---|-----------------------|--|-----------------------|-----------------------|------------------------|------------------------------|---|------------------------------|-----------------------|
| | As at 01 July 2004 | Of additions/ (deletions and transfers) during the year | As at 30 June 2005 | As at 01 July 2004 | Charge for the year | On deletions for the year | | | As at 30 June 2005 |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | | |
| Freehold land | 141,246,104 | — | 141,246,104 | — | — | — | 141,246,104 | — | |
| Building on freehold land | 1,412,509,674 | 51,102,069 (225,000) | 1,463,386,743 | 408,436,203 | 55,670,536 | 65,927 | 464,040,812 | 999,345,931 | 4 |
| Plant, machinery and equipment | 4,476,313,627 | 295,523,567 | 4,771,837,194 | 1,271,327,715 | 185,927,086 | — | 1,457,254,801 | 3,314,582,393 | 4 |
| Office equipment | 3,975,009 | 488,415 | 4,463,424 | 2,985,858 | 296,489 | — | 3,282,347 | 1,181,077 | 15 |
| Computers | 4,525,712 | 1,203,000 | 5,728,712 | 2,841,898 | 1,223,518 | — | 4,065,416 | 1,663,296 | 33.33 |
| Electric installation | 30,652,778 | — | 30,652,778 | 30,299,220 | 311,038 | — | 30,610,258 | 42,520 | 15 |
| Electrical equipment | 25,145,071 | 1,675,971 | 26,821,042 | 19,457,774 | 1,714,799 | — | 21,172,573 | 5,648,469 | 15 |
| Furniture and fittings | 6,019,317 | 190,629 | 6,209,946 | 5,389,777 | 180,994 | — | 5,570,771 | 639,175 | 15 |
| Motor vehicles | 34,629,254 | 11,276,269 (7,052,440) | 38,853,083 | 20,789,754 | 7,369,789 | 6,345,170 | 21,814,373 | 17,038,710 | 25 |
| Tubewells | 3,030,854 | — | 3,030,854 | 1,212,340 | 303,085 | — | 1,515,425 | 1,515,429 | 10 |
| Quarry road and development | 27,854,507 | — | 27,854,507 | 18,445,027 | 2,785,451 | — | 21,230,478 | 6,624,029 | 10 |
| Personal lift | 3,850,985 | — | 3,850,985 | 2,239,324 | 385,099 | — | 2,624,423 | 1,226,562 | 10 |
| Fire fighting instrument | 758,656 | 97,152 | 855,808 | 141,126 | 115,189 | — | 256,315 | 599,493 | 15 |
| | 6,170,511,548 | 361,557,072 (7,277,440) | 6,524,791,180 | 1,783,566,016 | 256,283,073 | 6,411,097 | 2,033,437,992 | 4,491,353,188 | |
| Capital work in progress (9.2) | 269,033,596 | 240,976,893 (346,625,636) | 163,384,853 | — | — | — | — | 163,384,853 | |
| Stores and spares held for capital expenditure | 73,274,839 | — (10,697,393) | 62,577,446 | — | — | — | — | 62,577,446 | |
| 2005 | 6,512,819,983 | 255,908,329 (7,277,440) (10,697,393) | 6,750,753,479 | 1,783,566,016 | 256,283,073 | 6,411,097 | 2,033,437,992 | 4,717,315,487 | |
| | 6,119,938,420 | 52,914,157 (2,341,029) | 6,170,511,548 | 1,538,884,263 | 245,806,428 | 1,124,675 | 1,783,566,016 | 4,386,945,532 | |
| Capital work in progress (9.2) | 2,193,500 | 306,010,898 (39,170,802) | 269,033,596 | — | — | — | — | 269,033,596 | |
| Stores and spares held for capital expenditure | 76,201,837 | — (2,926,998) | 73,274,839 | — | — | — | — | 73,274,839 | |
| 2004 | 6,198,333,757 | 319,754,253 (2,341,029) (2,926,998) | 6,512,819,983 | 1,538,884,263 | 245,806,428 | 1,124,675 | 1,783,566,016 | 4,729,253,967 | |



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Fauji Cement Company Limited

9.1 Additions in plant and machinery include exchange loss capitalized of Rs. NIL (2004: Rs. 13.912 million).

| 9.2 Capital work in progress comprise of the following: | 2005 Rupees | 2004 Rupees |
|---|--------------------|--------------------|
| Civil works | - | 34,229,043 |
| Plant, machinery and equipment (9.2.1) | 163,384,853 | 234,804,553 |
| | 163,384,853 | 269,033,596 |

9.2.1 This represents cost incurred for enhancement of production capacity of the plant.

9.3 The depreciation charge for the year has been allocated as follows:-

| | | |
|-------------------------|--------------------|--------------------|
| Cost of sales | 251,980,898 | 243,055,819 |
| Distribution Cost | 734,510 | 781,397 |
| Administration expenses | 3,567,665 | 1,969,212 |
| | 256,283,073 | 245,806,428 |

9.4 Details of property, plant and equipment disposed off during the year is as follows:

| | Original cost Rupees | Book value Rupees | Sale proceeds Rupees | Gain / (loss) Rupees | Mode of disposal | Particulars of the Purchaser |
|---|-------------------------|----------------------|-------------------------|-------------------------|---------------------|--|
| Motor vehicle | 555,000 | 208,125 | 555,000 | 346,875 | Insurance claim | Habib Insurance Company Limited |
| -do- | 26,000 | 3,250 | 220,786 | 217,536 | Auction | Mr. Said Akhtar Khan |
| -do- | 638,258 | 6,251 | 541,000 | 534,749 | Auction | Mr. Abrar Ahmad |
| -do- | 89,100 | 11,137 | 545,000 | 533,863 | Auction | Mr. Aamir Shehzad |
| -do- | 957,000 | 478,500 | 439,512 | (38,988) | Company policy | Brig (Retd) Shaukat Usman (Ex-executive) |
| Building | 225,000 | 159,073 | 200,000 | 40,927 | Negotiation | Malik Azam Khan |
| Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs. 50,000 | 4,787,082 | 7 | 3,114,996 | 3,114,989 | | |
| 2005 | 7,277,440 | 866,343 | 5,616,294 | 4,749,951 | | |
| 2004 | 2,341,029 | 1,216,354 | 1,594,000 | 377,646 | | |



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Fauji Cement Company Limited

10 LONG TERM ADVANCE - Considered good

This represents long term advance to Sui Northern Gas Pipelines Limited for the construction of gas pipeline. It is repayable annually in equal amount installments over 12 years including grace period of 2 years and carries mark-up @ 1.5% per annum.

| 11 | LONG TERM DEPOSITS | 2005 Rupees | 2004 Rupees |
|----|---|-------------------|-------------------|
| | Islamabad Electric Supply Company Limited | 21,600,000 | 21,600,000 |
| | Sui Northern Gas Pipelines Limited | 25,011,000 | 15,000,000 |
| | | <u>46,611,000</u> | <u>36,600,000</u> |

11.1 These represent interest free deposits for the provision of utilities to the plant and are repayable on disconnection of related services.

12 DEFERRED TAX ASSET - Net

| | | |
|---|--------------------|--------------------|
| Deductible temporary differences | | |
| Unused tax losses | 1,249,440,669 | 1,442,608,341 |
| Provision for doubtful debts | 548,464 | 548,464 |
| Taxable temporary difference | | |
| Excess of accounting book value of fixed assets over the tax base | (912,848,889) | (873,118,266) |
| | <u>337,140,244</u> | <u>570,038,539</u> |

13 STORES, SPARES AND LOOSE TOOLS

| | | |
|--|--------------------|--------------------|
| Stores (Including items in transit of Rs.48.18 million; 2004: Rs. 38.405 million) | 107,633,143 | 71,837,045 |
| Spares (Including items in transit of Rs. 54.383 million; 2004: Rs. 5.459 million) | 181,936,985 | 118,324,345 |
| Loose tools | 8,305,428 | 7,238,893 |
| | <u>297,875,556</u> | <u>197,400,283</u> |

14 STOCK IN TRADE

| | | |
|--------------------------|-------------------|-------------------|
| Raw and packing material | 18,468,968 | 15,223,951 |
| Work in process | 11,624,101 | 27,760,995 |
| Finished goods | 25,838,053 | 18,614,892 |
| | <u>55,931,122</u> | <u>61,599,838</u> |



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| | | |

Fauji Cement Company Limited

| | 2005 Rupees | 2004 Rupees |
|--|---|----------------|
| 15 TRADE DEBTS | | |
| Secured- considered good | 83,776,743 | 22,522,694 |
| Unsecured | | |
| Considered good | 23,454,350 | 22,265,893 |
| Considered doubtful | 1,567,041 | 1,567,041 |
| | 25,021,391 | 23,832,934 |
| Less: Provision for doubtful debts | (1,567,041) | (1,567,041) |
| | 107,231,093 | 44,788,587 |
| 16 ADVANCES - CONSIDERED GOOD | | |
| To suppliers | 21,681,811 | 34,044,492 |
| To employees (16.1) | 782,922 | 449,183 |
| Due from associated undertaking (16.2) | 1,124,606 | 1,127,038 |
| | 23,589,339 | 35,620,713 |
| 16.1 | Included in advances to employees are amounts due from executives of Rs. 782,922 (2004: Rs. 449,183). The maximum aggregate amount due from executives at the end of any month during the year was Rs. 826,578 (2004: Rs. 1,378,185). | |
| 16.2 | This comprises amount due from Fauji Foundation Resident Director Office, Karachi. This relates to normal business operations of the Company and is interest free. The maximum aggregate amount due at the end of any month during the year was Rs. 6,073,337 (2004: Rs.26,870,416). | |
| 17 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES | | |
| Deposits | 1,486,464 | 1,313,296 |
| Prepayments | 4,313,726 | 10,606,227 |
| Balances with statutory authorities: | | |
| Excise duty | 3,057,190 | 9,911,490 |
| Sales tax | - | 3,773,697 |
| | 8,857,380 | 25,604,710 |



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Fauji Cement Company Limited

| | 2005 Rupees | 2004 Rupees |
|--|--|----------------------|
| 18 OTHER RECEIVABLES | | |
| From insurance company - EFU General Insurance Company Limited | 7,500,000 | - |
| Others | 735,163 | 645,050 |
| | <u>8,235,163</u> | <u>645,050</u> |
| 19 CASH AND BANK BALANCES | | |
| Cash at banks in: | | |
| Deposit accounts | 560,176,720 | 137,433,326 |
| Current accounts | 25,840,409 | 21,325,836 |
| Collection accounts | 16,830,905 | 38,275,007 |
| | <u>602,848,034</u> | <u>197,034,169</u> |
| Cash in hand | 261,626 | 53,945 |
| | <u>603,109,660</u> | <u>197,088,114</u> |
| 19.1 | Balance with banks include Rs. 27,177,720 (2004: Rs 23,703,797) in respect of security deposits received. | |
| 19.2 | Deposits of Rs 8,021,608 (2004: Rs 8,021,608) with banks are under lien to secure letters of guarantee. | |
| 20 SALES - Net | | |
| Sales | | |
| - Local | 3,627,833,262 | 3,015,965,823 |
| - Export | 293,529,278 | 231,296,344 |
| | <u>3,921,362,540</u> | <u>3,247,262,167</u> |
| Less: | | |
| Sales tax | 476,668,707 | 411,107,548 |
| Excise duty | 598,854,300 | 539,373,802 |
| Export development surcharge | 696,411 | 549,349 |
| | <u>1,076,219,418</u> | <u>951,030,699</u> |
| | <u>2,845,143,122</u> | <u>2,296,231,468</u> |



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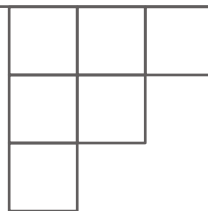
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Fauji Cement Company Limited

| 21 | COST OF SALES | 2005 Rupees | 2004 Rupees |
|----|---|-----------------------------|-----------------------------|
| | Raw materials consumed: | | |
| | Opening stock | 4,838,359 | 4,042,189 |
| | Purchases | 142,164,485 | 115,960,079 |
| | Closing stock | <u>(10,183,906)</u> | <u>(4,838,359)</u> |
| | | 136,818,938 | 115,163,909 |
| | Packing material consumed | 147,993,766 | 155,487,347 |
| | Stores and spares consumed | 6,573,152 | 5,285,288 |
| | Salaries, wages and benefits (including retirement benefits of Rs. 3,630,175; 2004 Rs. 10,243,376) | 87,091,286 | 91,288,886 |
| | Rent, rates and taxes | 1,377,677 | 952,226 |
| | Insurance | 18,077,626 | 14,919,668 |
| | Fuel consumed | 699,818,055 | 564,590,951 |
| | Power consumed | 332,383,435 | 310,041,061 |
| | Depreciation | 251,980,898 | 243,055,819 |
| | Repairs and maintenance | 56,416,637 | 49,891,364 |
| | Printing and stationery | 612,415 | 607,847 |
| | Traveling and conveyance | 6,662,206 | 4,308,952 |
| | Technical assistance | 674,699 | 843,480 |
| | Communication, establishment and other expenses | <u>8,172,417</u> | <u>7,533,312</u> |
| | | 1,754,653,207 | 1,563,970,110 |
| | Add: Opening work-in-process | 27,760,995 | 5,816,672 |
| | Less: Closing work-in-process | <u>(11,624,101)</u> | <u>(27,760,995)</u> |
| | Cost of goods manufactured | 1,770,790,101 | 1,542,025,787 |
| | Add: Opening finished goods | 18,614,892 | 31,996,253 |
| | Less: Closing finished goods | <u>(25,838,053)</u> | <u>(18,614,892)</u> |
| | | <u><u>1,763,566,940</u></u> | <u><u>1,555,407,148</u></u> |
| 22 | OTHER OPERATING INCOME | | |
| | Income from financial assets | | |
| | Interest on bank accounts | 3,820,738 | 9,517,468 |
| | Interest on long term advance | <u>33,658</u> | <u>118,904</u> |
| | | 3,854,396 | 9,636,372 |
| | Income from assets other than financial assets | | |
| | Gain on disposal of property, plant and equipment | 4,749,951 | 377,646 |
| | Provision for doubtful debts written back | - | 32,680,086 |
| | Others | <u>2,611,387</u> | <u>50,368</u> |
| | | <u><u>11,215,734</u></u> | <u><u>42,744,472</u></u> |



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Fauji Cement Company Limited

| | 2005 Rupees | 2004 Rupees |
|--|-------------------|-------------------|
| 23 DISTRIBUTION COST | | |
| Salaries, wages and benefits (including retirement benefits of Rs. 1,121,338; 2004 Rs. 1,490,006) | 11,085,015 | 12,011,093 |
| Traveling and entertainment | 1,856,899 | 1,033,833 |
| Rent, rates and taxes | 1,171,663 | 1,144,382 |
| Repairs and maintenance | 872,199 | 410,804 |
| Printing and stationery | 639,741 | 508,829 |
| Depreciation | 734,510 | 781,398 |
| Communication, establishment and other expenses | 2,589,684 | 1,849,892 |
| Advertisement and sale promotion expenses | 2,101,216 | 2,295,538 |
| Insurance | 281,847 | 380,705 |
| | <u>21,332,774</u> | <u>20,416,474</u> |
| 24 ADMINISTRATIVE EXPENSES | | |
| Salaries, wages and benefits (including retirement benefits Rs. 1,915,246; 2004 Rs. 2,864,611) | 21,835,136 | 21,817,193 |
| Traveling and entertainment | 3,319,504 | 2,053,435 |
| Insurance | 356,570 | 312,232 |
| Rent rates and taxes | 1,250,190 | 1,064,446 |
| Repairs and maintenance | 1,109,895 | 710,738 |
| Printing and stationery | 867,905 | 855,529 |
| Communication, establishment and other expenses | 4,392,315 | 2,685,367 |
| Legal and professional charges | 3,147,866 | 1,654,654 |
| Depreciation | 3,567,665 | 1,969,212 |
| Restructuring expenses | 2,446,136 | 6,413,146 |
| | <u>42,293,182</u> | <u>39,535,952</u> |
| 25 OTHER OPERATING EXPENSES | | |
| Auditors' remuneration: | | |
| Annual audit | 325,000 | 325,000 |
| Half yearly review | 100,000 | 100,000 |
| Out of pocket expenses | 50,000 | 50,000 |
| Other certifications | 68,703 | 50,000 |
| Out of pocket expenses - other certifications | - | 7,500 |
| | 543,703 | 532,500 |
| Workers' Profit Participation Fund | 39,949,407 | - |
| | <u>40,493,110</u> | <u>532,500</u> |



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Fauji Cement Company Limited

| | 2005 Rupees | 2004 Rupees |
|---|---|----------------------|
| 26 FINANCE COST | | |
| Fee and charges on loans | 10,564,449 | 11,615,315 |
| Interest/mark-up on long term finance - Secured | 175,784,037 | 57,323,773 |
| Interest/mark-up on long term loan from related party - Unsecured | 3,184,919 | 873,421 |
| Interest on short term borrowing - Secured | 4,352,508 | - |
| Unrealized gain on re-measurement of long term loans and interest | - | (38,754,265) |
| Unrealized loss on re-measurement of (FERI) contract | - | 38,754,265 |
| | - | - |
| Guarantee commission | 32,201,176 | 111,947,295 |
| Foreign exchange risk insurance (FERI) fee | - | 17,905,808 |
| Bank charges and commission | 3,547,028 | 4,557,035 |
| | <u>229,634,117</u> | <u>204,222,647</u> |
| 27 TAXATION | | |
| Current | 15,650,000 | 12,600,000 |
| Deferred | | |
| Prior years' | - | (789,384,293) |
| Current year | 232,898,295 | 219,345,754 |
| | <u>232,898,295</u> | <u>(570,038,539)</u> |
| | <u>248,548,295</u> | <u>(557,438,539)</u> |
| 27.1 | The charge for current taxation is worked out based on the minimum tax at the rate of 0.5 percent on local/domestic sale and 1 percent on export's turnover less Government levies under section 113 of the Income Tax Ordinance, 2001. The following is a reconciliation of relationship between tax charge and accounting profit. | |
| | <u>759,038,733</u> | <u>(243,290,703)</u> |
| Accounting profit/(loss) for the year | <u>35%</u> | <u>35%</u> |
| Applicable tax rate | 265,663,557 | (85,151,746) |
| Income tax at applicable rate | 193,435,941 | 230,055,009 |
| Tax effect of temporary differences | 3,957,444 | 269,028,173 |
| Tax effect of permanent differences | (18,578,036) | (18,994,936) |
| Tax effect of low rates on certain income | (211,580,611) | (175,590,746) |
| Tax effect of business losses and unabsorbed depreciation | - | (789,384,293) |
| Net effect on tax charge due to reversal of valuation reserve | 15,650,000 | 12,600,000 |
| Minimum tax required at applicable rates | <u>248,548,295</u> | <u>(557,438,539)</u> |



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Fauji Cement Company Limited

- 27.2 The income tax assessments of the Company have been finalized upto and including the assessment year 2002-2003 (year ended 30 June 2002) creating refund of Rs. 15,288,238. The returns filed by the Company for tax years 2003 and 2004 (years ended 30 June 2003 and 2004) stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. Audit proceedings for tax year 2003 have successfully been completed and the taxation authorities have concluded that no action is warranted under section 122 of the Income Tax Ordinance, 2001.
- 27.3 Assessments of the Company were finalized by the taxation officer mainly by treating advances received from customers as deemed income and curtailing administrative expenses claimed by the Company. The Commissioner (Appeals) decided the issue of advances from customers in favour of the Company for assessment year 1999-2000. The Department has filed appeal against this order before Income Tax Appellate Tribunal [ITAT]. This appeal is pending disposal. For assessment year 2000-2001, the Commissioner (Appeals) directed the taxation officer to reconsider the issue of advances from customers. The Company has filed appeal before ITAT against this order which is awaiting disposal.
- 27.4 Assessments for the assessment years 2001-2002 and 2002-2003 were finalized by the taxation officer in line with assessment history of the Company. Appeal for assessment year 2001-2002 was decided principally in favour of the Company except some minor issues which have been remanded back to the taxation officer for reconsideration. The re-assessment proceedings have not been initiated so far.
- 27.5 No provision has been made in these accounts in respect of outstanding issues as management is confident of a favourable outcome.

28 EARNINGS PER SHARE

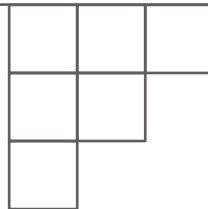
| | 2005 | 2004 |
|--|--------------------|--------------------|
| Basic | | |
| 28.1 Profit after taxation (Rupees) | <u>510,490,438</u> | <u>314,147,836</u> |
| Weighted average number of ordinary shares outstanding during the year (Numbers) | <u>370,743,048</u> | <u>370,743,048</u> |
| Earnings per share -basic (Rupees) | <u>1.38</u> | <u>0.85</u> |
| Diluted | | |
| 28.2 Profit after taxation (Rupees) | <u>510,490,438</u> | <u>314,147,836</u> |
| Weighted average number of ordinary shares and convertible preference shares outstanding during the year (Numbers) | <u>419,442,235</u> | <u>419,442,235</u> |
| Earnings per share -diluted (Rupees) | <u>1.22</u> | <u>0.75</u> |

29 CASH AND CASH EQUIVALENTS

| | 2005 Rupees | 2004 Rupees |
|------------------------|----------------------|--------------------|
| Cash and bank balances | 603,109,660 | 197,088,114 |
| Short term borrowing | <u>(308,876,433)</u> | - |
| | <u>294,233,227</u> | <u>197,088,114</u> |



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Fauji Cement Company Limited

30 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the year for remuneration, including benefits and perquisites, were as follows:

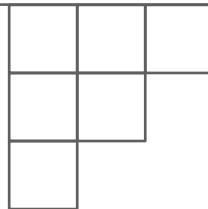
| | Managing Director | | Executives | |
|-------------------------|-------------------|----------------|------------------|----------------|
| | 2005 Rupees | 2004 Rupees | 2005 Rupees | 2004 Rupees |
| Managerial remuneration | 2,824,371 | 1,806,300 | 5,481,419 | 2,796,700 |
| Provident fund | 145,151 | 108,450 | 196,533 | 139,549 |
| Gratuity | 518,730 | 259,521 | 453,452 | 279,349 |
| Compensated absences | 448,141 | 544,054 | 297,565 | 276,429 |
| Utilities and upkeep | 605,850 | 584,973 | 514,773 | 389,236 |
| | 4,542,243 | 3,303,298 | 6,943,742 | 3,881,263 |
| No of persons | 1 | 1 | 5 | 3 |

30.1 In addition, the above were provided with free medical facilities. The managing director and certain executives were also provided Company's maintained cars and household equipments in accordance with the Company's policy.

30.2 Meeting fee of directors charged during the year was Rs. 33,000, Number of directors: 9 (2004: Rs. 28,500, Number of directors: 6).



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Fauji Cement Company Limited

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Financial assets and liabilities

| | 2005 | | | | | 2004 | | | | |
|--|-------------------------|------------------------------------|---------------------------|----------------------|----------------------|-------------------------|------------------------------------|---------------------------|----------------------|----------------------|
| | Markup/Interest bearing | | | Non Interest bearing | Total | Markup/Interest bearing | | | Non Interest bearing | Total |
| | Maturity upto one year | Maturity between one to five years | Maturity after five years | | | Maturity upto one year | Maturity between one to five years | Maturity after five years | | |
| Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | |
| Financial assets | | | | | | | | | | |
| Long term deposits | — | — | — | 46,611,000 | 46,611,000 | — | — | — | 36,600,000 | 36,600,000 |
| Long term advance | 750,000 | 3,750,000 | 4,500,000 | — | 9,000,000 | — | — | — | — | — |
| Trade debts | — | — | — | 107,231,093 | 107,231,093 | — | — | — | 44,788,587 | 44,788,587 |
| Trade deposits | — | — | — | 1,486,464 | 1,486,464 | — | — | — | 1,313,296 | 1,313,296 |
| Interest accrued | 1,001,662 | — | — | — | 1,001,662 | 2,174,955 | — | — | — | 2,174,955 |
| Other receivables | — | — | — | 8,235,163 | 8,235,163 | — | — | — | 645,050 | 645,050 |
| Cash and bank balances | 577,007,625 | — | — | 26,102,035 | 603,109,660 | 175,708,333 | — | — | 21,379,781 | 197,088,114 |
| | 578,759,287 | 3,750,000 | 4,500,000 | 189,665,755 | 776,675,042 | 177,883,288 | — | — | 104,726,714 | 282,610,002 |
| Financial liabilities | | | | | | | | | | |
| Long term financing | 552,995,000 | 2,210,825,000 | 311,180,000 | — | 3,075,000,000 | 86,508,407 | 1,209,282,609 | 2,332,853,325 | 16,703,147 | 3,645,347,488 |
| Deferred liabilities - Staff retirement benefits | — | — | — | 45,212,891 | 45,212,891 | — | — | — | 40,264,085 | 40,264,085 |
| Short term borrowing | 308,876,433 | — | — | — | 308,876,433 | — | — | — | — | — |
| Trade and other payables | — | — | — | 232,757,384 | 232,757,384 | — | — | — | 221,854,856 | 221,854,856 |
| Markup accrued | 69,356,833 | — | — | — | 69,356,833 | 13,132,567 | — | — | — | 13,132,567 |
| | 931,228,266 | 2,210,825,000 | 311,180,000 | 277,970,275 | 3,731,203,541 | 99,640,974 | 1,209,282,609 | 2,332,853,325 | 278,822,088 | 3,920,598,996 |
| Off balance sheet items | | | | | | | | | | |
| Commitments | — | — | — | 103,440,000 | 103,440,000 | — | — | — | 19,371,569 | 19,371,569 |
| Guarantees | — | — | — | 19,790,358 | 19,790,358 | — | — | — | 18,790,358 | 18,790,358 |
| Letters of credit | — | — | — | 150,705,700 | 150,705,700 | — | — | — | 155,405,975 | 155,405,975 |
| | — | — | — | 273,936,058 | 273,936,058 | — | — | — | 193,567,902 | 193,567,902 |

31.2 The effective interest rates for financial assets and liabilities are as follows:

| | 2005 | 2004 |
|------------------------|---------------------------|-------------|
| | Effective interest rate % | |
| Assets | | |
| Long term advance | 1.50 | — |
| Cash and bank balances | 1.50 - 9 | 1.50 - 3.50 |
| Liabilities | | |
| Long term financing | 5.33 | 1.46 |
| Short term borrowing | 2.82 | — |



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Fauji Cement Company Limited

31.3 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31.4 Concentration of credit risk

Credit risk represents accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All financial assets except cash in hand are subject to credit risk. Since major part of the Company's sales is against advance payment, the Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers besides obtaining guarantees and by dealing with a variety of major banks and financial institutions.

31.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. In case of the Company this risk results from outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

31.6 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

32 RELATED PARTY TRANSACTIONS

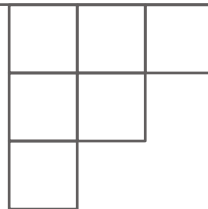
The Company is a subsidiary of Fauji Foundation, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise directors, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Amounts due from these related parties are shown under receivables and the remuneration of the Managing Director, Directors and executives is disclosed in note 30 to these financial statements. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

| | 2005 Rupees | 2004 Rupees |
|--|----------------|----------------|
| Fauji Foundation | | |
| - Sale of cement | 7,470,942 | 2,992,199 |
| - Interest paid on long term financing | 3,184,919 | 1,311,476 |
| - Settlement of expenses incurred on behalf of the Company | - | 3,668,209 |
| - Payment for use of medical facilities | 7,280 | 268,909 |
| - Payment on account of clearance of shipments | 30,085,000 | 58,530,000 |
| Employees' Provident Fund | | |
| - Contributions made by the Company | 5,718,106 | 5,338,172 |

The Company has a policy whereby transactions with related parties are entered into at arms length prices determined in accordance with Comparable Un-controlled Price Method.



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Fauji Cement Company Limited

33 Plant capacity and actual production

| | 2005 Metric Tons | 2004 Metric Tons |
|-----------------------------|---------------------|---------------------|
| Installed capacity | <u>945,000</u> | <u>945,000</u> |
| Actual production of cement | <u>912,195</u> | <u>826,203</u> |

The shortfall in the actual production against the installed capacity was due to the gap between demand and supply in the market during the first half of the year. The capacity of the plant has been determined on the basis of 300 days.

34 GENERAL

34.1 Number of employees

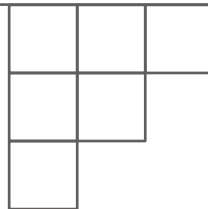
Total number of employees at the year end was 529 (2004: 502).

34.2 Figures have been rounded off to the nearest Rupee.

34.3 Due to revision of the 4th Schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(1)/2004 dated July 5, 2004, previous year's figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison.

Chief Executive

Director

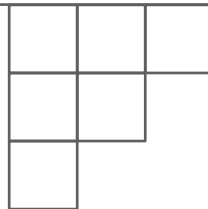
**Pattern of Share-holding
as on 30 June 2005**

| No. of Shareholders | Shareholding | | Total Share held Ordinary Shares of Rs.10/Each |
|------------------------|--------------|--------|--|
| | From | To | |
| 17 | 1 | 100 | 409 |
| 997 | 101 | 500 | 497607 |
| 1863 | 501 | 1000 | 1862900 |
| 3492 | 1001 | 5000 | 10882484 |
| 1068 | 5001 | 10000 | 9120214 |
| 323 | 10001 | 15000 | 4291333 |
| 261 | 15001 | 20000 | 4904700 |
| 126 | 20001 | 25000 | 3019000 |
| 94 | 25001 | 30000 | 2730000 |
| 53 | 30001 | 35000 | 1779000 |
| 44 | 35001 | 40000 | 1720500 |
| 12 | 40001 | 45000 | 535500 |
| 82 | 45001 | 50000 | 4062000 |
| 17 | 50001 | 55000 | 922500 |
| 28 | 55001 | 60000 | 1656000 |
| 13 | 60001 | 65000 | 819000 |
| 19 | 65001 | 70000 | 1314500 |
| 18 | 70001 | 75000 | 1349000 |
| 16 | 75001 | 80000 | 1261500 |
| 6 | 80001 | 85000 | 500000 |
| 4 | 85001 | 90000 | 357000 |
| 5 | 90001 | 95000 | 469500 |
| 54 | 95001 | 100000 | 5385500 |
| 3 | 100001 | 105000 | 307500 |
| 11 | 105001 | 110000 | 1202500 |
| 6 | 110001 | 115000 | 683500 |
| 5 | 115001 | 120000 | 591000 |
| 12 | 120001 | 125000 | 1485500 |
| 8 | 125001 | 130000 | 1027500 |
| 8 | 130001 | 135000 | 1063500 |
| 1 | 135001 | 140000 | 137000 |
| 15 | 145001 | 150000 | 2249500 |



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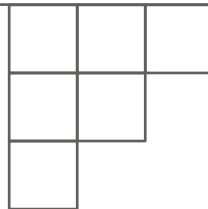
Fauji Cement Company Limited

| No. of Shareholders | Shareholding | | Total Share held Ordinary Shares of Rs.10/-Each |
|---------------------|--------------|--------|---|
| | From | To | |
| 3 | 150001 | 155000 | 463000 |
| 2 | 155001 | 160000 | 313000 |
| 3 | 160001 | 165000 | 484000 |
| 1 | 165001 | 170000 | 170000 |
| 3 | 170001 | 175000 | 525000 |
| 1 | 175001 | 180000 | 180000 |
| 6 | 180001 | 185000 | 1101500 |
| 14 | 195001 | 200000 | 2800000 |
| 1 | 200001 | 205000 | 200500 |
| 1 | 205001 | 210000 | 209500 |
| 2 | 210001 | 215000 | 428000 |
| 3 | 220001 | 225000 | 675000 |
| 1 | 230001 | 235000 | 231500 |
| 2 | 235001 | 240000 | 478000 |
| 1 | 240001 | 245000 | 245000 |
| 7 | 245001 | 250000 | 1750000 |
| 2 | 270001 | 275000 | 549500 |
| 1 | 275001 | 280000 | 280000 |
| 1 | 285001 | 290000 | 289000 |
| 3 | 290001 | 295000 | 875500 |
| 4 | 295001 | 300000 | 1200000 |
| 1 | 330001 | 335000 | 335000 |
| 2 | 345001 | 350000 | 700000 |
| 2 | 370001 | 375000 | 750000 |
| 2 | 385001 | 390000 | 779000 |
| 3 | 395001 | 400000 | 1200000 |
| 1 | 400001 | 405000 | 400500 |
| 1 | 415001 | 420000 | 417000 |
| 2 | 420001 | 425000 | 850000 |
| 1 | 435001 | 440000 | 437000 |
| 1 | 445001 | 450000 | 450000 |
| 2 | 465001 | 470000 | 939500 |
| 5 | 475001 | 480000 | 2391500 |
| 12 | 495001 | 500000 | 6000000 |
| 1 | 500001 | 505000 | 505000 |
| 1 | 505001 | 510000 | 506500 |



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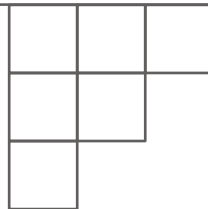


Fauji Cement Company Limited

| No. of Shareholders | Shareholding | | Total Share held Ordinary Shares of Rs.10/-Each |
|---------------------|--------------|-----------|---|
| | From | To | |
| 1 | 545001 | 550000 | 550000 |
| 1 | 575001 | 580000 | 580000 |
| 1 | 585001 | 590000 | 585500 |
| 1 | 625001 | 630000 | 627500 |
| 1 | 645001 | 650000 | 650000 |
| 1 | 695001 | 700000 | 700000 |
| 1 | 805001 | 810000 | 808500 |
| 1 | 830001 | 835000 | 834500 |
| 2 | 845001 | 850000 | 1697976 |
| 1 | 860001 | 865000 | 864500 |
| 1 | 865001 | 870000 | 869500 |
| 1 | 885001 | 890000 | 889500 |
| 1 | 890001 | 895000 | 891500 |
| 1 | 895001 | 900000 | 900000 |
| 1 | 1040001 | 1045000 | 1044300 |
| 1 | 1195001 | 1200000 | 1200000 |
| 1 | 1325001 | 1330000 | 1327000 |
| 1 | 1365001 | 1370000 | 1370000 |
| 1 | 1390001 | 1395000 | 1395000 |
| 1 | 1430001 | 1435000 | 1432000 |
| 1 | 1995001 | 2000000 | 2000000 |
| 1 | 2160001 | 2165000 | 2161000 |
| 1 | 2180001 | 2185000 | 2185000 |
| 1 | 2795001 | 2800000 | 2797500 |
| 1 | 2995001 | 3000000 | 3000000 |
| 1 | 5510001 | 5515000 | 5514500 |
| 1 | 7415001 | 7420000 | 7416000 |
| 1 | 10345001 | 10350000 | 10350000 |
| 1 | 11285001 | 11290000 | 11289700 |
| 1 | 15285001 | 15290000 | 15289700 |
| 1 | 21445001 | 21450000 | 21445500 |
| 1 | 48695001 | 48700000 | 48699187 |
| 1 | 169780001 | 169785000 | 169780225 |
| 8814 | | | 419442235 |



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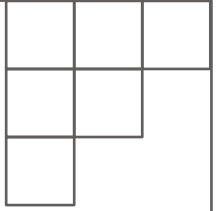
Fauji Cement Company Limited

| Categories of Shareholders as on 30 June 2005 | Shares Held | Percentage |
|--|--------------------|-------------------|
| Directors | | |
| Lt. Gen Syed Muhammad Amjad (Retd) | 1 | |
| Maj Gen Rehmat Khan (Retd) | 1 | |
| Mr. Qaiser Javed | 1 | |
| Brig Aftab Ahmed (Retd) | 1 | |
| Brig Ghazanfar Ali (Retd) | 1 | |
| Brig Munawar Ahmed Rana (Retd) | 1 | |
| Mr. Azhar Iqbal Hussain | 1 | |
| Spouses and minor children of Directors/CEO | NIL | |
| Executives | NIL | |
| Associated companies, undertaking and related parties | NIL | |
| NIT and ICP | 209,500 | 0.05 |
| Banks, Development Finance Institutions, Non Banking Finance Institutions | 18,463,600 | 4.40 |
| Insurance Companies | 629,500 | 0.15 |
| Mudarabas and Mutual Funds | 113,500 | 0.03 |
| Shareholders holding 10% or above | | |
| Fauji Foundation | 218,479,412 | 52.09 |
| General Public | | |
| a. Local | 154,967,316 | 36.94 |
| b. Foreign | NIL | |
| Others (Foreign Investors) | | |
| Industrialization Fund for Developing Countries (IFU) | 15,289,700 | 3.65 |
| F.L. Smidth & Co. A/S (FLS) | 11,289,700 | 2.69 |
| Total Shares Held | 419,442,235 | 100% |



Fauji Cement Company Limited

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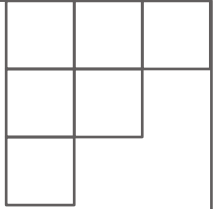
From Left: Mr. Muhammad Uzair, Brig. M. Mushtaq Khattak Retd.
(A/CFO) (GM. Marketing)

Maj Gen Malik Iftikhar Khan Retd., Mr. Mir Khawar Saleem, Brig. Allah Ditta Retd.
(CEO&MD) (GM. Plant), (Company Secy.)



Fauji Cement Company Limited

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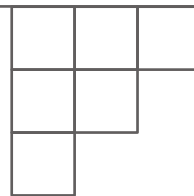
Management of FCCL





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Fauji Cement Company Limited

Form of Proxy — 13th Annual General Meeting

I/We _____

of _____

being Member (s) of Fauji Cement Company Limited hold _____

Ordinary Shares hereby appoint Mr./Mrs./Miss of _____

as my / our proxy in my / our absence to attend and vote for me/us and on my/our behalf at the 13th Annual General Meeting of the Company to be held on Thursday, 27 October 2005 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2005.

Signed by _____ said in the presence of:

(1) Name _____ Address: _____

_____ N.I.C No: _____

(2) Name _____ Address: _____

_____ N.I.C. No: _____

| Folio No | CDC Account # | |
|----------|------------------|-----------|
| | Participant I.D. | Account # |
| | | |

Signature on
Four Rupees
Revenue Stamp

The signature
should agree with
the specimen registered
with the Company

IMPORTANT:

- This Form of proxy, duly completed and signed, must be received at the registered office of the Company, at First Floor, Aslam Plaza, 60 Adam Jee Road, Saddar, Rawalpindi Pakistan, not less than 48 hours before the time of holding the meeting.
- If a member appoints more than one proxy and more than one instruments of proxy are deposited, by a member, with the Company, all such instruments of proxy shall be rendered invalid.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Fauji Cement Company Limited
First Floor, Aslam Plaza,
60 Adam Jee Road,
Saddar,
Rawalpindi - Pakistan