

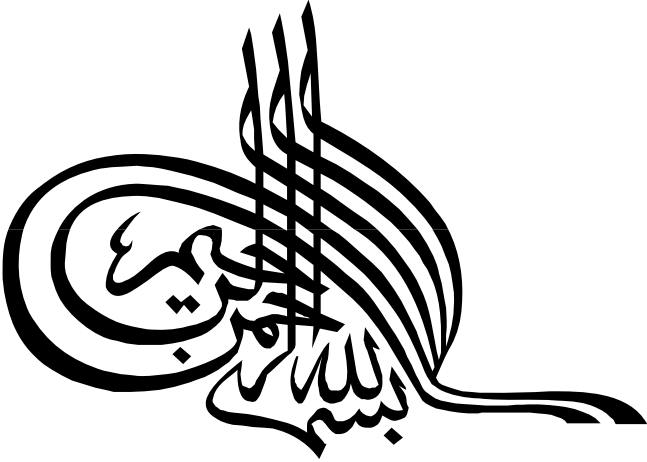
FIRST QUARTERLY REPORT
(JULY - SEPTEMBER)

2006



**Fauji Cement
Company Limited**





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FAUJI CEMENT COMPANY LIMITED

COMPANY INFORMATION

at a glance

► **Board of Directors**

Lt Gen Syed Arif Hasan, HI (M) (Retired)	Chairman
Maj Gen Malik Iftikhar Khan, HI (M) (Retired)	Chief Executive / MD
Mr. Qaiser Javed	Director
Mr. Riyaz H. Bokhari, IFU	Director
Brig Munawar Ahmed Rana, SI(M) (Retired)	Director
Ms Tine Bremholm Kokfelt, FLS	Director
Brig Arif Rasul Qureshi, SI (M) (Retired)	Director
Brig Rahat Khan, SI (M) (Retired)	Director
Dr. Nadeem Inayat	Director

► **Company Secretary:**

Brig Shabbir Ahmed (Retired)
House No. 62, Khayaban-e-Iqbal,
(Margalla Road), F-7/2,
Islamabad - Pakistan
Tel: (051) 9221690
Fax: (051) 9221693
E-mail: secretary@fccl.com.pk
Web Site: <http://www.fccl.com.pk>

► **Chief Financial Officer**

Mr. Omer Ashraf
Tel: (051) 2651762

► **Registered Office and
Marketing and Sales
Department:**

Ist Floor, Aslam Plaza,
60 Adam Jee Road, Sadar, Rawalpindi – Pakistan
Tel: (051) 5523836, 5528042, 5528960, 5528963-64
Fax: (051) 5528965-66

► **Factory:**

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

► **Auditors:**

M/s KPMG Taseer Hadi & 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, Manager (Shares)
House No. 62, Khayaban-e-Iqbal (Margalla Road),
F-7/2, Islamabad
Tel: (051) 9221694
(051) 9221695



FAUJI CEMENT COMPANY LIMITED

DIRECTORS' REVIEW

1. The Board of Directors is pleased to present their review report together with the un-audited accounts of the Company for the first quarter ended 30 September 2006.

2. During the first quarter of the current Fiscal Year 2007, the Cement Industry witnessed an accelerated demand for its product. Total cement despatches during the quarter reached 5.41 Million tons compared to 4.47 Million tons over the corresponding quarter of last year showing growth of 21 percent. Cement exports registered a growth of 53.72 percent and domestic demand grew by 17.51 percent. Capacity utilization of the Cement Industry stood at 74.49 percent from an expanded capacity base made available by start up of new production lines and optimization of production capability undertaken by several units.

3. In line with the Industry, FCCL performed well and maintained its upward trend. During the quarter under review, FCCL's local despatches stood at 263,465 tons as compared to 223,491 tons during the corresponding quarter of last year depicting an increase of 18% and exports of 37,668 tons as compared to 31,160 tons last year reflecting an increase of 21%. Thus, with the total despatches of 301,133 tons, the Company achieved capacity utilization of 103.35 % as compared to 87.40 % in the corresponding quarter of last year.

4. Fauji Cement continued to command a brand premium. As a result, the net profit of the Company witnessed a rise from Rs. 260 Million to Rs. 269 Million.

5. Given the overall business scenario, the Board of Directors is confident that the Company has a shining and rewarding future for all its stake holders.

A handwritten signature in black ink, appearing to read 'Arif Hasan'.

Rawalpindi
18 October 2006

Lt Gen Syed Arif Hasan, HI (M) (Retd)
Chairman




FAUJI CEMENT COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2006

	Note	September 2006 Un-audited (Rupees)	June 2006 Audited (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised Capital			
551,300,813 Ordinary shares of Rs.10/- each.		5,513,008,130	5,513,008,130
48,699,187 Preference shares of Rs.10/- each.		486,991,870	486,991,870
		6,000,000,000	6,000,000,000
Issued, subscribed and paid up capital	4	4,194,422,350	4,194,422,350
Accumulated loss		(642,829,826)	(911,805,604)
		3,551,592,524	3,282,616,746
NON - CURRENT LIABILITIES			
Long term financing	5	1,150,000,000	1,425,000,000
Deferred liabilities - Staff retirement benefits		7,952,662	7,911,808
DEFERRED TAX LIABILITY - Net		338,714,690	215,380,682
CURRENT LIABILITIES			
Trade and other payables		357,639,227	421,074,237
Markup accrued		4,911,944	59,771,320
Short term borrowing	6	—	236,353,099
Current portion of long term financing	5	550,000,000	550,000,000
		912,551,171	1,267,198,656
CONTINGENCIES AND COMMITMENTS	7	—	—
		5,960,811,047	6,198,107,892

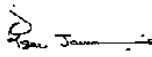
The annexed notes 1 to 12 form an integral part of these financial statements.


 Chief Executive



FAUJI CEMENT COMPANY LIMITED

	Note	September 2006 Un-audited (Rupees)	June 2006 Audited (Rupees)
FIXED ASSETS - Tangible			
Property, plant and equipment	8	4,516,359,693	4,563,115,282
LONG TERM ADVANCE		9,000,000	9,000,000
LONG TERM DEPOSITS		46,611,000	46,611,000
CURRENT ASSETS			
Stores, spares and loose tools		535,114,225	490,887,123
Stock in trade		142,920,376	145,090,210
Trade debts		22,806,036	25,474,729
Advances-considered good		47,132,191	36,351,664
Trade deposits, short term prepayments and balances with statutory authorities		7,655,063	11,801,355
Interest accrued		9,655,048	5,475,526
Other receivables		7,545,579	2,836,409
Advance tax-net		12,181,556	13,874,216
Cash and bank balances		603,830,280	847,590,378
		1,388,840,354	1,579,381,610
		<u>5,960,811,047</u>	<u>6,198,107,892</u>


Director




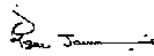
FAUJI CEMENT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT (UN - AUDITED) FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

	Note	Quarter Ended	
		September 2006 (Rupees)	September 2005 (Rupees)
SALES		1,473,218,979	1,306,743,093
Less: Government levies		375,323,091	321,982,289
NET SALES		1,097,895,888	984,760,804
Less: Cost of sales	9	607,805,077	492,759,137
GROSS PROFIT		490,090,811	492,001,667
Other operating income		22,175,592	6,594,489
		512,266,403	498,596,156
Distribution cost		9,739,698	7,260,287
Administrative expenses		18,097,891	11,903,661
Other operating expenses		29,483,217	20,626,300
PROFIT FROM OPERATIONS		454,945,597	458,805,908
Finance cost		57,135,811	67,381,214
NET PROFIT BEFORE TAXATION		397,809,786	391,424,694
Taxation			
- Current		(5,500,000)	(5,600,000)
- Deferred		(123,334,008)	(126,012,647)
		(128,834,008)	(131,612,647)
NET PROFIT AFTER TAXATION		268,975,778	259,812,047
Earnings per share - Basic		0.73	0.70
Earnings per share - Diluted		0.64	0.62

The annexed notes 1 to 12 form an integral part of these financial statements.


Chief Executive


Director



FAUJI CEMENT COMPANY LIMITED

CASH FLOW STATEMENT (UN-AUDITED) FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

	Quarter Ended	
	September 2006 (Rupees)	September 2005 (Rupees)
Cash flows from operating activities		
Net profit before taxation	397,809,786	391,424,694
Adjustments for:		
Depreciation	68,218,444	67,163,273
Provision for staff retirement benefits	1,083,623	1,707,495
Finance cost	57,135,811	67,381,214
Gain on disposal of property, plant and equipment	—	(294,055)
Interest income	(20,728,888)	(6,012,600)
	105,708,990	129,945,327
Operating cash flows before working capital changes	503,518,776	521,370,021
(Increase) in stores and stocks	(42,057,268)	(83,613,897)
Decrease in trade debts	2,668,694	44,825,635
(Increase) in advances	(10,780,527)	(27,845,700)
Decrease/(Increase) in trade deposits and prepayments	4,146,292	(148,662)
(Increase)/Decrease in other receivables	(4,709,172)	7,482,026
(Decrease)/Increase in trade and other payables	(33,797,695)	101,042,394
	(84,529,676)	41,741,796
Cash generated from operations	418,989,100	563,111,817
Staff retirement benefits paid	(29,982,218)	(2,624,500)
Taxes paid	(3,807,340)	(1,711,929)
Net cash from operating activities	385,199,542	558,775,388
Cash flows from investing activities		
Additions in property, plant and equipment	(21,462,855)	(31,455,006)
Claim received on insurance of property, plant and equipment	—	999,000
Proceeds from disposal of property, plant and equipment	—	237,012
Interest received on bank deposits	16,549,366	5,062,127
Net cash used in investing activities	(4,913,489)	(25,156,867)
Cash flows from financing activities		
Repayment of long term finances	(275,000,000)	(325,000,000)
Dividend paid	(697,866)	—
Finance cost paid	(111,995,186)	(129,881,115)
Net cash used in financing activities	(387,693,052)	(454,881,115)
(Decrease)/Increase in cash and cash equivalents	(7,406,999)	78,737,406
Cash and cash equivalents at beginning of the period	611,237,279	294,233,227
Cash and cash equivalents at end of the period	603,830,280	372,970,633

The annexed notes 1 to 12 form an integral part of these financial statements.

Chief Executive

Director



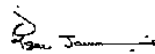
FAUJI CEMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

	Ordinary share capital (Rupees)	Preference share capital (Rupees)	Accumulated Profit/(Loss) (Rupees)	Total (Rupees)
Balance at June 30, 2006	3,707,430,480	486,991,870	(911,805,604)	3,282,616,746
Profit for the period			268,975,778	268,975,778
Balance at September 30, 2006	<u>3,707,430,480</u>	<u>486,991,870</u>	<u>(642,829,826)</u>	<u>3,551,592,524</u>
Balance at June 30, 2005	3,707,430,480	486,991,870	(1,744,797,889)	2,449,624,461
Profit for the period			259,812,047	259,812,047
Balance at September 30, 2005	<u>3,707,430,480</u>	<u>486,991,870</u>	<u>(1,484,985,842)</u>	<u>2,709,436,508</u>

The annexed notes 1 to 12 form an integral part of these financial statements.


Chief Executive


Director



FAUJI CEMENT COMPANY LIMITED

NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

- Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984 and commenced its business with effect from 22 May 1993. The shares of the Company are quoted on 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 45.8% of the Company's ordinary shares.
- These financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting.
- The accounting policies and method of calculations adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the preceding year ended 30 June 2006.

4. SHARE CAPITAL

There is no change in composition of issued, paid up and subscribed share capital of the Company from 30 June, 2006.

	Note	September 2006 Rupees	June 2006 Rupees
5. LONG TERM FINANCING			
From banking companies and financial institutions			
Syndicated term finance facility - secured	5.1	1,700,000,000	1,975,000,000
		<u>1,700,000,000</u>	<u>1,975,000,000</u>
Less: Amount payable within 12 months shown as current portion		550,000,000	550,000,000
		<u>1,150,000,000</u>	<u>1,425,000,000</u>
5.1 Movement in this account during the period/year is as follows:			
Opening balance		1,975,000,000	3,075,000,000
Repayments during the period/year		<u>(275,000,000)</u>	<u>(1,100,000,000)</u>
Closing balance		<u>1,700,000,000</u>	<u>1,975,000,000</u>

6. SHORT TERM BORROWING - SECURED

The Company has obtained running finance facility of Rs. 500 million (June 2006: Rs. 500 million) from United Bank Limited. The 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 one month KIBOR + 1 % of the utilized amount.



FAUJI CEMENT COMPANY LIMITED

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in the contingent liabilities or contingent assets as reported in the financial statements for the year ended June 30, 2006.

7.2 Commitments

- a] The company has opened Letters of Credit for the import of machinery, spare parts and coal valuing Rs. 160.76 million (June 2006: Rs. 148.96 million).
- b] The Company's capital commitments amounted to Rs. 1.61 million (June 2006: Rs. 1.61 million) were outstanding at the period/year-end.

	Note	Quarter Ended	
		September	September
		2006	2005
		(Rupees)	(Rupees)
8 PROPERTY, PLANT AND EQUIPMENT			
Opening book value		4,423,041,648	4,491,353,188
Additions during the period	8.1	9,210,927	190,724,159
Written down value of disposal	8.2	—	(941,957)
Depreciation for the period		(68,218,444)	(67,163,273)
Closing written down value		4,364,034,131	4,613,972,117
Add: Capital work in progress		152,325,562	66,344,162
		<u>4,516,359,693</u>	<u>4,680,316,279</u>
8.1 Additions			
Building		209,768	—
Plant, machinery and equipment		399,998	185,321,908
Office equipment		—	105,800
Computers		397,487	1,326,249
Electrical equipment		904,989	114,700
Furniture and fixtures		16,250	76,000
Motor vehicles		7,025,435	3,664,990
Tubewells		257,000	—
Fire fighting equipment		—	114,512
		<u>9,210,927</u>	<u>190,724,159</u>



FAUJI CEMENT COMPANY LIMITED

	Note	Quarter Ended	
		September	September
		2006	2005
		(Rupees)	(Rupees)
8.2 Disposal/Transfers			
Motor vehicles		—	941,957
		—	941,957
9 COST OF SALES			
Raw material consumed:			
Opening stock		8,954,630	10,183,906
Purchases		56,937,782	38,945,745
Closing stock		(7,346,574)	(3,917,936)
		58,545,838	45,211,715
Packing material consumed		57,142,601	42,686,304
Stores and spares consumed		2,565,400	1,408,623
Salaries, wages and benefits		41,182,474	29,296,561
Rent, rates and taxes		601,316	1,290,024
Insurance		3,059,698	3,098,562
Fuel consumed		234,769,664	192,829,111
Power consumed		108,745,889	93,272,958
Depreciation		66,634,075	65,888,814
Repairs and maintenance		22,970,291	14,218,262
Printing and stationery		205,869	232,794
Traveling and conveyance		2,247,585	980,689
Communication, establishment and other expenses		5,362,543	1,389,892
		604,033,243	491,804,309
Add: Opening work-in-process		93,670,852	11,624,101
Less: Closing work-in-process		(70,368,642)	(28,490,293)
Cost of goods manufactured		627,335,453	474,938,117
Add: Opening finished goods		23,407,558	25,838,053
Less: Closing finished goods		(42,937,934)	(8,017,033)
		607,805,077	492,759,137



FAUJI CEMENT COMPANY LIMITED

10 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' fund. Transaction with related parties are as follows:

	Quarter Ended	
	September 2006	September 2005
	(Rupees)	(Rupees)
Fauji Foundation		
Sale of Cement	4,020,723	1,717,547
Interest paid on long term loan	—	456,180
Payment on account of clearance of shipments	4,000,000	1,800,000
Payment of principal of loan	—	50,000,000
FL Smidth & Co A/S (associated undertaking)		
Supply of equipment and spares	31,223,860	10,859,644
Employees Funds		
Contribution made by company	1,476,678	718,729

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

11 DATE OF AUTHORIZATION FOR ISSUANCE

These financial statements were authorized for issuance by the Board of Directors of the Company in their meeting held on 18 October 2006.

12 GENERAL

Figures have been rounded off to the nearest Rupee.


Chief Executive


Director

Book Post

Under Postal Certificate

If undelivered please return to:



Company Secretary

Fauji Cement Company Limited

1st Floor, Aslam Plaza, 60 Adam Jee Road,
Saddar, Rawalpindi — Pakistan