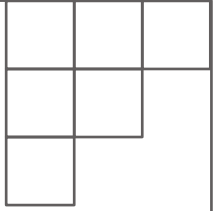
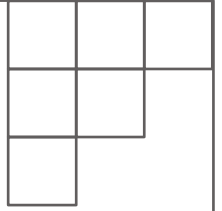




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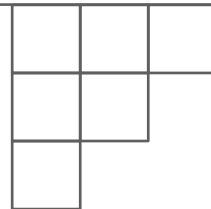


Vision Statement

*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.*



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%

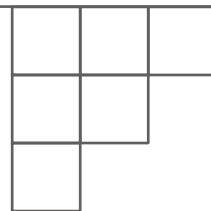
3. The growth trend in cement demand is expected to continue during the next year and the Company, with its enhanced capacity of 1,165,500 tons per annum, is well poised to retain its position amongst the better performing companies.

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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			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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- 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.

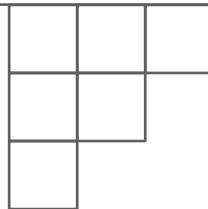
11. Presentation of Financial Statements. The financial statements prepared by the management present fairly and accurately the Company's state of affairs, the results of its operations, cash flows and changes in equity.

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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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.

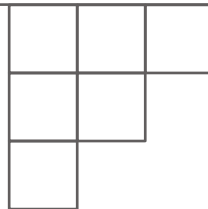
19. Financial Data of Last Six Years. Key operating and financial data of last six years is given below:-

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.



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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

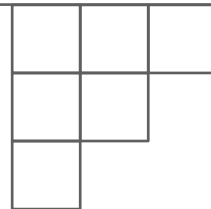
23. Attendance of Meetings. During the year (1 July 2004 to 30 June 2005) the Board of Directors held eight meetings. Attendance of each director is as follows:-

* 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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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.



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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.



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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