

General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present the 19th Annual Report together with audited financial statements of the Company for the year ended 30 June 2011 and Auditors' Report thereon.

New Line 7560 TPD Cement Plant Started Production

2. Erection and Commissioning of New Line with a Production capacity of 7560 TPD has been completed and Plant has started its trial production from June 2011. The Plant is equipped with latest and state of the art equipment and is a great value addition in Pakistan Cement Industry. New Line is the largest capacity single line and first GERMAN plant in Pakistan. Major Equipment Suppliers are;

- a. POLYSIUS AG Germany
- b. LOESCHE GmbH Germany (Vertical Cement Mills)
- c. Havor & Boecker Germany (Packing Plant)
- d. ABB Switzerland (Electrical Equipment & PLC)

Market Overview

3. Industry dispatches for the FY 2010-11 have been 31 Million MT including 22 Million MT domestic and 9 Million MT exports. There is a 8 % decrease in total dispatches of the Industry as compared to the last year, which were 35 Million MT including 24 Million MT domestic and 11 Million MT exports. The decrease in the domestic dispatches of the industry is 7 % and the decrease in exports is 12 %.

4. FCCL has dispatched 1,084,558 MT for the FY 2010-11 including 629,385 MT domestic and 455,173 MT exports. There has been a 20 % decrease in domestic dispatches and 37% increase in the export. Capacity utilization of FCCL in FY 2009-10 was 96 % and in FY 2010-11 has been 93%.

Production Review

5. Performance of the plant remained above satisfactory level with 93 % capacity utilization. Comparative production figures are given as under:-

	<u>2010 ~ 11</u>	<u>2009 ~ 10</u>
a. Clinker (MT)	1,118,070	1,065,788
b. Cement (MT)	1,101,677	1,128,258

Financial Performance

6. **Profitability.** The Company earned a Profit After Tax of Rs. 426 Million as compared to the last year's profit of Rs. 250 Million. The profit from operations increased from Rs. 366 Million to Rs. 592 Million depicting increase of 62 % owing to increase in cement prices.
7. **Contribution to National Exchequer.** The Company contributed a sum of Rs. 1,245 Million to the national exchequer in the form of taxes and duties during the year under review. Concurrently, Fauji Cement earned USD 26 Million through export of cement.
8. **Presentation of Financial Statements.** The financial statements prepared by the Management present the Company's state of affairs, the results of its operations, cash flows and changes in equity in a fair and accurate manner.
9. **Books of Account.** Proper books of account have been maintained.
10. **Accounting Policies.** Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
11. **Compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).** International Accounting Standards and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements.
12. **Internal Control System.** The system of internal control is sound in design and has been effectively implemented and monitored.
13. **Going Concern.** There is no doubt that the Company has the ability and strength to operate as a going concern.
14. **Best Practices of Corporate Governance.** There has been no material departure from the best practices of corporate governance, as given in the listing regulations.

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

	2011	2010	2009	2008	2007	2006
Operating Results in Million						
Net Sales	4,742.593	3,808.455	5,314.538	3,545.902	3,463.283	4,286.138
Gross Profit	823.053	515.584	1,687.428	658.112	1,091.495	2,191.111
Operating Profit	592.075	366.117	1,646.233	601.518	995.285	2,041.984
Finance Cost	103.922	41.206	224.716	146.954	207.105	264.297
Profit after tax	425.661	250.179	1,007.623	413.598	646.323	1,203.735
Balance Sheet						
Shareholder's Equity	11,014,017	9,610.685	9,690.689	9,283,981	3,735.206	3,282.617
Fixed Assets	26,658.079	23,819.040	18,777.204	7,106.599	4,392.450	4,563.115
Long Term Loans (including current portion)	13,553.62	12,980.414	6,549.227	875.000	1,425.000	1,975.000
EPS (Rs)						
Basic	0.52	0.31	1.43	0.85	1.73	3.21
Diluted	0.34	0.30	1.36	0.77	1.53	2.84

16. **Dividend.** Due to the heavy investment in construction of its New Line, company has not declared any dividend for its share holders.

17. **Outstanding Statutory Dues.** The Company does not have any outstanding statutory dues.

18. **Provident Fund.** Value as on 30 June 2011 is given below:-

Management Staff	Non-Management Staff
Rs. 98.59 Million	Rs. 53.49 Million

19. **Salient Aspects of Company's Control and Reporting Systems.** 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 shareholders' value. To fulfil this role, the Board is responsible to implement overall corporate governance in the Company including approval of the strategic direction as recommended by the Management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for the 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 which work under the guidance of Board of Directors:-

- Audit Committee.
- Technical Committee.
- Human Resource Committee.

Attendance of Meetings

20. During the year under review, attendance by each director is given below:-

a.	<u>Board of Directors</u>		<u>No of Meetings Attended</u>
(1)	Lt Gen (R) Hamid Rab Nawaz, HI (M)	-	6
(2)	Lt Gen (R) Javed Alam Khan, HI (M)	-	4
(3)	Lt Gen (R) Muhammad Sabir, HI (M)	-	2
(4)	Mr. Qaiser Javed	-	6
(5)	Brig (R) Rahat Khan, SI (M)	-	6
(6)	Dr. Nadeem Inayat	-	6
(7)	Brig (R) Liaqat Ali, TI (M)	-	5
(8)	Brig (R) Agha Ali Hassan, SI (M)	-	6
(9)	Brig (R) Parvez Sarwar Khan SI (M)	-	6
(10)	Mr. Max Kruse	-	-

b. <u>Audit Committee</u>	-	No of Meetings Attended
(1) Mr. Qaiser Javed	-	5
(2) Brig (R) Rahat Khan, SI (M)	-	5
(3) Dr. Nadeem Inayat	-	4
(4) Brig (R) Agha Ali Hassan, SI (M)	-	3
c. <u>Human Resource Committee.</u>		
(1) Dr. Nadeem Inayat	-	1
(2) Mr. Qaiser Javed	-	1
(3) Brig (R) Liaqat Ali, TI(M)	-	1
d. <u>Technical Committee.</u>		
(1) Brig (R) Rahat Khan, SI (M)	-	5
(2) Brig (R) Liaqat Ali , TI (M)	-	3
(3) Brig (R) Parvez Sarwar Khan, SI(M)	-	5

Note: Chief Financial Officer (CFO) and Internal Auditor were invariably invited to attend the meetings of Audit Committee. External Auditors were also invited to attend two meetings of Audit Committee, wherein, issues related to annual and half year's financial statements were discussed.

Disclosures

21. To the best of our knowledge, the Directors, CEO, CFO, Company Secretary, Company Auditors, their spouses and their minor children have not undertaken any trading in shares of the Company during the FY 2010-11.

Pattern of Share-holding

22. Pattern of share-holding as on 30 June 2011 is attached.

Relations with Company Personnel

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

Corporate Social Responsibilities

24. **Awards, Acknowledgment, Certifications.** Fauji Cement has a pro-active approach towards fulfilment of Corporate Social Responsibilities whether it is sustainable environment safeguard measures, community development programs or employees welfare steps. The measures taken by Fauji Cement have been acknowledged by the society and concerned authorities through different awards.

a. **National CSR Award 2010**

As an acknowledgment to the measures taken by Fauji Cement for fulfilling Corporate Social Responsibility, it has been awarded with the award for extraordinary steps.



Lt. Col. Muhammad Abrar Aslam (Retired), Manager Admin
receiving 5th National CSR Award 2010

b. **Annual Environmental Excellence Award 2011**

Fauji Cement Company has been awarded the environmental excellence award for last 2 consecutive years, keeping in view pro-active measures taken & further planned to safeguard sustainable environment for the next generations.



Mr. Rais Ahmed, Senior GM Plant, receiving
8th Annual Environment Excellence Award 2011

c. **FPCCI Best Regional Export Award 2010**

FCCL has won the FPCCI Best Regional Export Award in October 2010



“Brig Muhammad Sarwar, GM (Marketing & Sales) receiving FPCCI Best Regional Export Award from the President of Pakistan

d. **UNEP Acknowledgment**

United Nations Environment Program “Billion Tree Campaign” has also acknowledged Tree Plantation being done by Fauji Cement, . The Company plans to plant more than 50,000 Trees in next couple of years. This year FCCL has planted more than 6,000 trees.

25. **Education Facilities** English Medium Secondary School is being run by Fauji Cement with 553 students from Class Nursery to Class 10. Regular efforts and resources are utilized to improve school’s standards and facilities.

26. **Children Park** A fine children Park has been added in Factory Area for local community.

27. **Medical Facility** is being provided to the local community through Company Operated Medical Dispensary. The facility is equipped with necessary equipment and MBBS Doctors are available, including a lady Doctor.

28. **Employees Welfare Activities**

- a. **Canteen for Company Employees** is being up graded with a vision to provide up to mark dining facility. Moreover, Fauji Cement has enhanced its share in meals costs, so as to minimize impact of inflation transfer to the employees.
- b. **Sports Gala** is planned in the month of September / October for employees of Fauji Cement. Different matches (Badminton, Table Tennis, Cricket) will be held among different teams and individuals. Winners will be awarded with certificates in a gracious ceremony.
- c. **Health & Safety.** Company considers Health & Safety as one of the top priorities and continuous investment on safety and health is part of the annual budgets. All employees have been provided with PPE (Personal Protection Equipment).
- d. **Fire Safety** is a matter of concern for Machinery as well the employees working at Plant. Fire Extinguishers worth 1.8 Million have been procured and placed at Plant in 2011, whereas, a Fire Tender has been ordered and is expected to arrive at Plant in 3~4 months.

29. **Donation to Flood Affectees of Sindh.** The Company donated Rupees one Million to Flood Affectees of Sindh.

Change of Chief Executive / Managing Director

30. On retirement of Lt Gen Javed Alam Khan, HI (M) (Retired) Lt Gen Muhammad Sabir, HI(M) (Retired), has been appointed as Managing Director and Chief Executive of the Company with effect from 24 February 2011. The Board while welcoming the new CEO, also places on record its appreciation for the commendable services rendered by Lt Gen Javed Alam Khan, HI(M) (Retired).

Change of Directors

31. As a result of resignation tendered by Mr. Riyaz H. Bokhari, and Brig Rahat Khan (Retd) from Directorship Mr. Max Kruse and Brig Dr. Gulfam Alam (Retd) have been appointed as Directors of the Company with effect from 10 December 2010 and 11 August 2011 respectively.

32. The Board expresses its appreciation for the valuable advice and services rendered by the outgoing Directors and welcomes the new Directors on the Board.

External Auditors

33. The present Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants will stand retired at the conclusion of the 19th Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the Audit Committee.

Product Quality

34. FCCL has always endeavoured to produce the best quality cement in Pakistan which is amply reflected in the premium price & its high demand, both inside & outside the country. As a company, FCCL is focused on customer's satisfaction, employees morale and fair deal to its partner in the business. The company has a well designed & effectively practiced "Quality Policy".

ISO 14001:2004 Certification

Fauji Cement fully complies with national & International regulations pertaining to environment aspect and is always conscious about industrial development impact over the environment. Fauji Cement is 14001:2004 certified by Moody International and endorsed by UKAS International.

36. **ISO 9001:2008 Certification** . Fauji Cement is certified for compliance to the latest Quality Assurance Standards. The Certification is audited by Moody International & endorsed by UKAS International.

Acknowledgement

37. The Directors express their deep appreciation to valued share holders, customers, Company's employees for hard work and commitment and financial institutions / government agencies, for their cooperation which enabled the company to achieve good operational results.

Conclusion

38. The Board is of the opinion that with sustained efforts and ALLAH's Blessings, the Company will remain on its way to the success.

For and on behalf of the Board

Rawalpindi
20 September 2011

Lt Gen (R) Hamid Rab Nawaz, HI(M)
Chairman