

**FAUJI CEMENT COMPANY LIMITED**  
**ANNUAL REPORT 1996**

**CONTENTS**

COMPANY INFORMATION AT A GLANCE	2
NOTICE OF ANNUAL GENERAL MEETING	3
REPORT OF THE DIRECTORS	4
AUDITORS' REPORT TO THE MEMBERS	7
BALANCE SHEET	8
CASH FLOW STATEMENT	10
NOTES TO THE ACCOUNTS	11
PATTERN OF SHAREHOLDING	19

**COMPANY**  
**INFORMATION**  
**AT A GLANCE**

**1. Board of Directors**

Lt. Gen M. Arif Bangash, HI (M) S.Bt	Chairman & Chief Executive
Lt. Gen Nazar Hussain, HI (M), T. Bt	Addl Managing Director
Mr Iltifat Rasul Khan,	Director
Brig Mushtaq Ali Khan (Retd),	Director
Brig Muhammad Ahsan Bhatti, SI (M) (Retd),	Director
Brig Muneeb Ur Rehman Farooqi, SI (M) (Retd),	Director
Brig Riaz Ahmed Qureshi (Retd),	Director

**Secretary** Brig Bashir Hussain Tareen (Retd)

**Registered Office** 70-Harley Street, Rawalpindi Cantt.

**Plant Site** Near Village Jhang, Tehsil Fateh  
Jang, District Attock

**Auditors**

A.F. Ferguson & Co  
Chartered Accountant

**Legal Advisors**

Orr, Dignam & Co Advocates

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the fourth Annual General Meeting of the Company will be held at 10 A.M. on 12 December 1996 at Hotel Pearl Continental, The Mall Rawalpindi to transact the following business :-

**Ordinary Business**

- a. To consider, approve and adopt the Audited Accounts of the Company for the period commencing from 01 July 1995 ending on 30th June 1996.
- b. To consider and approve the Directors' Report for the period ending on 30th June 1996.
- c. To appoint Auditors of the Company in place of present auditors M/S A.F. Ferguson & Company who retire and offer themselves for re-appointment and to fix their remuneration.
- d. To transact any other business with the permission of the Chair.

Date: 13th November 1996

Place: Rawalpindi

Brig Bashir Hussain Tareen (Retd)  
Secretary FCCL

**NOTE:**

The Member entitled to attend and vote at the Annual General Meeting may appoint a person/rep as proxy to attend and vote in place of the Member at the Meeting. Proxies in order to be effective must be received at the Company's Registered Office not later than 10 A.M. on December 10, 1996. Proxy form is attached.

**REPORT OF THE DIRECTORS**

FOR THE YEAR ENDED JUNE, 30 1996

**1. General**

The Directors take pleasure in presenting Directors' Report together with the Company's Financial Statements for the year ended June 30, 1996 and the Auditors' Report thereon.

## **2. Year in Review**

During the year under review significant progress has been achieved by the Company. Notable milestones were reached as highlighted in the succeeding paras.

### **Plant Site**

**a) Initial Problem Areas.** Great resistance was offered by the locals for development of Quarry Road. There were problems in implementation of civil works where piling had to be re-done for some of the constructions. However through concerted efforts and timely decisions by the management, all these problems were effectively overcome. Problem of land was amicably resolved and our works gained requisite momentum.-

**b. Civil Works.** All our civil works of the Plant are almost complete.

**c. Development of Infrastructure.** We have made significant progress in most of the areas viz:-

(1) Quarry Road. Over 75% of the work on the road was completed in October 1996. Our Quarry will start operating in February 1997.

(2) Power Supply. WAPDA has accelerated the work on provision of power. We hope to energise own grid station by the end of this year.

(3) Water Supply. We need about 500,000 gallons of industrial water every day. Procurement of water was in-fact an uphill task including our initial plan of obtaining it from Shahpur Dam. With our efforts, we have struck more than the required quantum of underground water and erection of tube wells has started. We have also undertaken construction of a water reservoir with a capacity of 3,500,000 gallons which will serve as a reserve for seven days.

(4) Completion of Internal Roads. Internal roads have been carpeted.

(5) Buildings. Construction of Officers Mess and the Office buildings has been completed. Offices required at the Factory Site have since been also shifted from Rawalpindi.

**d. Progress of Shipments.** All the machinery required for our Plant has arrived from abroad. The local machinery has also been procured and provided at the Plant Site.

**e. Erection of Plant. Erection of Plant was concurrent with the progress** of civil works. Wherever access could be provided, erection work was undertaken without much loss of time.

f. Overall Progress. We are, by and large, following the schedule given in our Company's prospectus. The testing will start in the beginning of year 1997 and, hopefully, we should complete most of our ongoing works in February-March 1997. We should accordingly go for commercial production in June-July 1997.

#### **4. Induction and Training of Manpower**

Requisite manpower is being inducted in November 1996, which will be on ground to undergo training through a package with Cement Plant Consultants MS Denmark in January-February 1997.

#### **5. Marketing Strategy**

A study and analysis of the marketing has been completed. Full marketing plan will be ready for implementation by the beginning of year 1997.

#### **6. Corporate Matters**

a. Fauji Cement Company Limited had been registered with the Registrar of the companies on 23 November 1992.

b. The Company obtained certificate of commencement of business from the Registrar of companies on 22 May 1993.

#### **7. Shares and Listing of Company on Stock Exchanges**

a. The Company increased its authorised share capital from Rs. 10 Million to 2500 Million divided into 250,000,000 shares of Rs. 10/- each.

b. The Company applied for listing on all the three Stock Exchanges of our country and was formally listed on the following Stock Exchanges in October 1996:-

(1) Karachi Stock Exchange (Guarantee) Ltd.

(2) Islamabad Stock Exchange (Guarantee) Ltd.

(3) Lahore Stock Exchange (Guarantee) Ltd.

c. The Company offered its shares of Rs. 204,530,000 to the public for subscription. The full amount has been received and the share certificates have accordingly been issued there against to the subscribers/underwriters.

d. Pattern of Share holding as on 30-6-1996. Annex 'A'

### **8. Directors**

The following changes occurred in the composition of the Board since the last Annual General Meeting held in December 1995:-

a. On retirement of Lt. Gen Imtiaz Waraich (Retd) Lt. Gen M. Arif Bangash (Retd), HI(M), SBT is appointed as the new Chairman of the Board and as Managing Director and Chief Executive of the Company.

b. Lt. Gen Nazar Hussain (Retd), HI(M), TBT has been appointed as Additional Managing Director.

c. Nomination of Brig Sayyed Ifzal Hussain (Retd) was withdrawn by Fauji Foundation from the Board of Directors.

d. The Board places on record its appreciation for the valuable advice and services rendered by the retiring Directors and welcomes the new Directors on the Board.

### **9. Auditors**

M/s A.F. Ferguson & Company, Chartered Accountants retire at the conclusion of the Fourth Annual General Meeting and, being eligible, have offered themselves for re-appointment.

10. Since the Company has not yet commenced production, it has made no profits and the question of recommending any amount to be paid as dividends, or any amount to be carried over to Reserve Fund, General Reserve or Reserve Account, does not arise.

11. Further there are no material changes affecting business or the financial position of the Company, which have occurred between the end of the Financial Period of the Company to which Balance Sheet relates and the date of the Report.

### **12. Acknowledgments**

The Directors also express their appreciation for the continued support and contribution by the employees, suppliers, the Government and various other agencies throughout the year.

For and on behalf of the Board

Rawalpindi

November 12, 1996

Lt. Gen M. Arif Bangash, HI(M), SBT  
Chairman and Chief Executive

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Fauji Cement Company Limited as at June 30, 1996 and cash flow statement for the year ended June 30, 1996 together with the notes forming part thereof, 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 and after due verification thereof, 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 together with the notes thereon has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account and is further in accordance with the Company's 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;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of cash flows for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

A F Ferguson & Co  
Chartered Accountants

Islamabad  
November 12, 1996

**BALANCE SHEET AS AT JUNE 30, 1996**

	Note	1996 Rupees	1995 Rupees
SHAREHOLDERS EQUITY			
Share capital			
Authorised capital			
250,000,000 ordinary			
shares of Rs. 10 each		2,500,000,000	2,500,000,000
		=====	
Issued, subscribed and			
paid-up capital			
150,857,499 (1995: 92,865,244)			
ordinary shares of Rs 10 each		1,508,574,990	928,652,440
Advance against ordinary			
shares to be issued		-	78,640,677
		-----	
		1,508,574,990	1,007,293,117
LONG TERM LOANS			
	3	3,315,351,898	1,550,924,188
CURRENT LIABILITIES			
Current maturity of long term loans	3	137,560,500	-
Short term loan from an			
associated undertaking		-	83,500,000
Short term finance		-	124,784,400
Creditors, accrued and other liabilities	4	263,651,497	130,901,282
		-----	
		401,211,997	339,185,682
CONTINGENCIES AND			
COMMITMENTS	5		
		-----	
		5,225,138,885	2,897,402,987
		=====	

The annexed notes form an integral part of these accounts.

**FIXED CAPITAL EXPENDITURE**

Fixed assets	6	144,856,659	139,593,408
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Capital work in progress	7	3,788,045,733	2,054,506,827
		-----	
		3,932,902,392	2,194,100,235
<b>LONG TERM SECURITY DEPOSITS</b>	8	21,609,310	-
<b>DEFERRED COST</b>	9	8,941,421	2,515,450
<b>CURRENT ASSETS</b>			
Advances, prepayments and other receivables	10	180,195,911	215,303,661
Balance with banks	11	1,081,489,851	485,483,641
		-----	
		1,261,685,762	700,787,302
		-----	
		5,225,138,885	2,897,402,987
		=====	

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30,1996

	Note	1996 Rupees	1995 Rupees
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(1,215,044,358)	(1,152,070,167)
Long term security deposits		(21,609,310)	-
Deferred cost		(6,425,971)	-
Income on bank deposits		39,500,520	13,485,470
		-----	
		(1,203,579,119)	(1,138,584,697)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		501,281,873	385,631,623
Long term loans		1,901,988,210	1,550,924,188
Repayment of short term loan/finance		(208,284,400)	(185,195,600)
Financial charges		(395,400,354)	(193,111,846)
		-----	
		1,799,585,329	1,558,248,365



NET INCREASE/(DECREASE) IN  
CASH AND CASH EQUIVALENTS

-----  
596,006,210      419,663,668

CASH AND CASH EQUIVALENTS  
AT THE BEGINNING OF THE YEAR

-----  
485,483,641      65,819,973  
-----

CASH AND CASH EQUIVALENTS  
AT THE END OF THE YEAR

-----  
1,081,489,851      485,483,641  
=====

**NOTES THE ACCOUNTS**

**1. Legal Status and Operations**

The Company was incorporated in Pakistan on November 23, 1992 as a public limited company for the establishment and operation of a cement plant at Fateh Jang, District Attock, Punjab. Subsequent to the year end, the Company has been listed on the three stock exchanges in Pakistan.

**2. Significant Accounting Policies**

**2.1 Accounting convention**

The accounts have been prepared under the historical cost convention.

**2.2 Fixed capital expenditure**

Fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work in progress are stated at cost.

Depreciation is provided on straight line method to write off the cost of an asset over its estimated useful life. Full year's depreciation is provided on additions during the first six months of the year whereas half year's depreciation is provided on additions during the last six months of the year. No depreciation is provided on assets deleted during the year.

**2.3 Deferred cost**

Costs related to Company's incorporation and issue of shares have been deferred to be amortised after commencement of commercial production.

**2.4 Foreign currency transactions**

Transactions in foreign currencies are converted into rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date, except for foreign currency loans in respect of which exchange risk coverage has been obtained; such loans are translated at the rate of exchange ruling on the date of receipt of loan from the lender. All

exchange differences are included in unallocated reproduction expenditure.

### 3. Long Term Loans- Secured

	Balance outstanding		Interest/net mark up rate per annum %	Repayment terms		
	1996 Rupees	1996 Rupees		Exchange risk coverage fee % (Note 3.3)	Half yearly equal statements	Commencing from
1. Commonwealth Development Corporation - (CDC) (Loan committed: Pound Sterling 13,250,000; loan disbursed Pound Sterling 9,937,000; 1995:6,625,000)	499,771,822	322,308,238	11	5.90	14 December 23, 1997	
2. Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V. (FMO) (Netherland Guilders 15,000,000; 1995: 7,500,000)	288,116,250	134,262,750	11.30	5	15 April 15, 1998	
3. International Finance Corporation (Loan A) (US Dollars 24,000,000; 1995: 12,000,000)	787,820,400	374,353,200	8.94	8.26	15 April 15, 1998	
4. International Finance Corporation (Loan B) (US Dollars 10,000,000)	329,213,500	-	LIBOR + 2.50	8.26	8 April 15, 1998	
5. International Finance Corporation (Loan c) (US Dollars 10,000,000)	329,566,000	-	LIBOR + 3.00	9.38	8 April 15, 1998	
6. Deutsche Investigations - und Entwicklungsgesellschaft mbH (DEG) (DM 15,000,000)	360,633,000	-	11.75	8.24	14 November 30, 1997	
7. AI Faysal Investment Bank Limited	130,000,000	130,000,000	19		10 December 21, 1996	
8. ANZ Grindlays Bank plc	150,000,000	150,000,000	Note 3.1		10 November 30, 1996	
9. The Bank of Punjab	277,791,426	220,000,000	19		6 April 15, 1997	
10. Askari Commercial Bank Limited	100,000,000	100,000,000	19		10 June 30, 1997	

11. Faysal Bank Limited	70,000,000	70,000,000	19	10 OCTOBER 27, 1997
12. Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	50,000,000	50,000,000	20	September 30, 1997
13. Pakistan Kuwait Investment Company (Private) Limited	80,000,000	-	Note 3.2	17 July 1, 1997
	-----			
	3,452,912,398	1,550,924,188		
Less: Current portion of long term loans	(137,560,500)	-		
	-----			
	3,315,351,898	1,550,924,188		
	-----			

3.1 The mark up on ANZ Grindlays Bank loan is payable at State Bank of Pakistan Treasury Bills rate plus 4% per annum (minimum 17.5% per annum), subject to a prompt payment bonus of Rs. 13,089,041 on repayment of the loan on due dates.

3.2 The loan from Pakistan Kuwait Investment Company (Private) Limited is under sale and repurchase arrangement carrying a repurchase price of Rs. 218,654,248 subject to a prompt payment bonus of Rs. 50,419,726 on repayment of the loan on due dates.

3.3 Exchange risk coverage has been obtained in respect of foreign currency loans 1 to 6 above. The loans are repayable in equivalent Pakistan rupees converted at the exchange rate ruling on the date of receipt of loan.

The above loans are secured by a charge on all present and future assets of the Company.

#### 4. Creditors, Accrued and Other Liabilities

	1996 Rupees	1995 Rupees
Retention money	25,936,719	10,991,746
Accrued fees and charges on long term loans	128,428,573	3,090,457
Accrued interest/mark up on loans	56,141,408	52,341,424
Amount due to an associated undertaking	17,108,070	46,689,128
Other accrued liabilities	36,036,727	17,788,527
	-----	
	263,651,497	130,901,282
	=====	

#### 5. Contingents and Commitments

Capital expenditure commitments outstanding at June 30, 1996 amounted to Rs. 519 million (1995: Rs. 1,466 million).

#### 6. FIXED ASSETS

**C O S T**

	At July 1, 1995	Additions during the year	At June 30, 1996
Freehold land	137,430,616	108,699	137,539,315
Office equipment	393,895	395,710	789,605
Electrical equipment	69,465	534,446	603,911
Furniture and fixtures	311,972	327,711	639,683
Motor vehicles	2,242,738	5,705,712	7,948,450
Total Rupees	140,448,686	7,072,278	147,520,964
1995 Rupees	135,887,841	4,560,845	140,448,686

**6. FIXED ASSETS**

**DEPRECIATION**

	At July 1, 1995	Charge for the year	Accumulated depreciation at June 30, 1996	Written down value at June 30, 1996	Rate of depreciation %	
Freehold land	-	-	-	137,539,315	-	
Office equipment		65,652	90,941	156,593	633,012	15
Electrical equipment		13,117	51,937	65,054	538,857	15
Furniture and fixtures		28,430	75,176	103,606	536,077	15
Motor vehicles		748,079	1,590,973	2,339,052	5,609,398	25
Total Rupees		855,278	1,809,027	2,664,305	144,856,659	

1995 Rupees	249,348	605,930	855,278	139,593,408
	=====	=====	=====	=====

### 7. Capital Work in Progress

	1996 Rupees	1995 Rupees
Plant and machinery	2,462,940,112	1,625,893,773
Civil Works	562,337,339	130,082,167
Unallocated reproduction expenditure - note 7.1	762,768,282	298,530,887
	-----	-----
	3,788,045,733	2,054,506,827
	=====	=====

#### 7.1 UNALLOCATED PREPRODUCTION EXPENDITURE

Salaries and allowances	6,476,852	3,327,046
Insurance	8,257,599	5,962,763
Traveling expenses	1,280,285	886,996
Technical constancy services	50,433,599	26,070,043
Development cost and expenses charged by an associated undertaking	26,597,722	17,328,638
Fees and charges related to long term loans	268,156,195	92,459,214
Interest/mark up on loans and  short term finance - net of interest income Rs. 74,155,992 (1995: Rs. 19,172,782)	424,607,983	130,749,720
Bank charges and commission	10,546,929	10,007,222
Legal and professional charges*	6,697,896	3,457,236
Guarantee commission	678,201	678,201
Depreciation	2,664,305	855,278
Advertisement	294,760	203,660
Printing and stationery	603,026	334,009
Exchange (gain)/loss	(50,575,619)	4,370,691
Other expenses	6,048,549	1,840,170
	-----	-----
	762,768,282	298,530,887
	=====	=====

\*These include auditors' remuneration comprising audit fee for the year

Rs. 160,000, fee for tax and other services Rs. 127,680, out of pocket expenses Rs. 20,600 and excise duty Rs. 27,941.

**8. Long Term Security Deposits**

These include security deposit of Rs. 21,600,000 to WAPDA related to supply of 30MW power for the cement plant.

**9. DEFERRED COST**

	1996 Rupees	1995 Rupees
Preliminary expenses	2,515,450	2,515,450
Expenses on issue of shares	6,425,971	-
	-----	-----
	8,941,421	2,515,450
	=====	=====

**10. Advances, Prepayments and Other Receivables**

Advances to suppliers and contractors	25,508,067	59,188,313
Advance for purchase of land	3,821,909	-
Advance for expenditure	12,822,658	350,000
Prepayments	13,892,046	-
Other receivables	124,151,231	155,765,348
	-----	-----
	180,195,911	215,303,661
	=====	=====

**11. Balance with Banks**

On deposit accounts (including foreign currency balances of US \$ 30.3 million; 1995: Nil)	1,075,503,319	33,637,840
On current accounts	5,986,532	45,101
Remittances in transit (including foreign currency balances of: Nil; 1995: US \$ 16.1 million, £ 3.3 million and DM 15 million)		451,800,700
	-----	-----
	1,081,489,851	485,483,641
	=====	=====

**12. Remuneration of Chief executive,**

**directors and executives**

No remuneration was paid to Chairman/Chief Executive and Directors of the Company.

Remuneration to executives:

	1996 Rupees	1995 Rupees
Managerial Remuneration	1,860,966	919,110
Utilities and upkeep	412,237	77,178
	-----	-----
	2,273,203	996,288
	=====	=====
No of persons	8	3

In addition, the above were provided with free medical facilities. Seven executives (1995: two) were also provided with free use of Company's cars and one executive (1995: nil) was provided with free use of household equipment in accordance with the Company's policy.

**13. TRANSACTIONS WITH ASSOCIATED UNDERTAKING**

The following amounts were charged by an associated undertaking:

	1996 Rupees	1995 Rupees
Development cost and expenses	9,269,084	3,315,478
Interest/mark-up on short term loan and finance	1,791,379	7,426,936

Previous year's figures, wherever necessary, have been rearranged for purposes of comparison.

**Annex 'A'****PATTERN OF SHARE HOLDING**

As At 30-06-96

Share Holdings From	To	No of Shareholders	No. of Shares Held
1	100	7	7

101 1,000,000  
 1,000,001 5,000,000  
 5,000,001 10,000,000  
 10,000,001 50,000,000  
 50,000,001 100,000,000

-----  
 =====

2 4,770,000  
 3 21,378,000  
 3 45,881,499  
 1 78,827,993  
 -----  
 16 150,857,499  
 =====

**Categories of Shareholders as at 30-06-96**

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals		7	0.00000464
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint stock Companies	-	-	-
Financial Institutions		1 6,014,000	3.9865436
Modaraba			
Foreign Investors		6 63,915,499	42.3681284
Co-Operative Societies			
FCCL Employees Trust		1 2,100,000	1.3920421
Charitable Trust		1 78,827,993	52.2532810
		-----	-----
Total		16 150,857,499	100.0000000