

Directors' Report to the Shareholders

The Directors of your Company are pleased to present the Annual Report together with audited financial statements and Auditors' report thereon for the year ended June 30, 2012

Overview

The cement sector of Pakistan has registered an overall growth of 3% in terms of sales volumes during the FY 2011-12. Domestic consumption has increased by 9% to 23.95 million tons while exports have been reduced to 8.57 million tons registering a negative growth of 9%.

By the grace of Almighty Allah your company has shown an overall growth of 12.89% in sales volume by dispatching 1.69 million tons of cement.

Production and Sale Volumes

New grey cement line operated at 75% capacity utilization while the old grey cement line remained non operative due to over capacity in the cement sector. Below is the summary of production and sales of the company during the year:

	FY 2012	FY 2011	Increase/ (decrease)	% age
Tons			
Clinker Production	1,518,029	1,363,820	154,209	11.31%
Cement Production	1,679,122	1,472,479	206,643	14.03%
Local Sales	1,411,565	1,105,167	306,398	27.72%
Export Sales	276,117	389,788	(113,671)	(29.16%)
Total Sales	1,687,682	1,494,955	192,727	12.89%

Clinker Production ('000 Tons)



Cement Dispatches ('000 Tons)





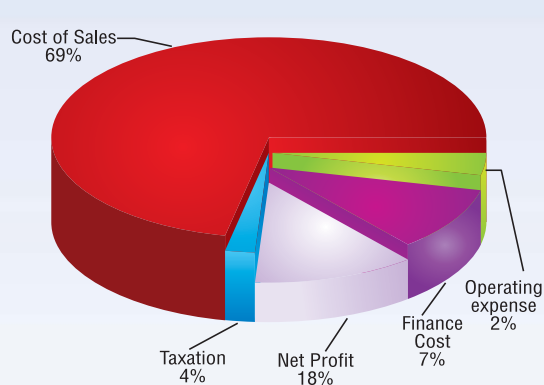
Financial results

Severe energy crises during the year restricted the output of your company due to which capacity utilization stayed below the desired level. Overall inflationary trend increased the input costs but lower financial costs helped the profitability of the company. Your company earned a pre-tax profit of Rs. 2.035 billion (2011: Rs. 125.780 million) after accounting for all charges inclusive of depreciation of Rs. 347.551 million (2011: Rs. 310.562 million).

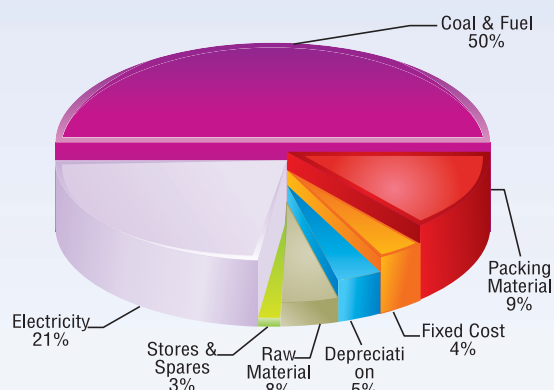
The operating performance of the company is summarized below:

	FY 2012	FY 2011
	(Rupees in millions)	
Net Sales	9,316	6,085
Cost of Sales	6,464	5,158
Gross Profit	2,852	927
Operating Expenses	221	106
Other Income	30	20
Finance Cost	626	715
Profit before Taxation	2,035	125
Taxation	375	62
Profit after Taxation	1,660	63
Earnings per share (Rs./ share)	12.90	0.49

Revenue Distribution



Cost of Sales





Future prospects

The growth in demand of cement in local market is expected to continue because of increase in Government spending during the election year.

Profitability of the company is likely to grow during the current financial year due to reduced financial costs.

Debt Obligations – The Company is not only current with its debt obligations but has prepaid Rs. 1.1 billion of long term debt in addition to scheduled payments of Rs.822.6 million during the year under review.

Appropriations

The Board of Directors of your company is pleased to propose a 30% final cash dividend of Rs.3/- per ordinary share for Financial Year ended June 30, 2012.

Appropriations approved by directors are as under:

	Rs. In '000'
Profit after taxation	1,660,511
Un-appropriated profits from prior years	685,835
Available for appropriation	2,346,346
Subsequent effects:	
Proposed dividend for the year on ordinary shares @ Rs. 3/-	386, 272
Un-appropriated profit carried forward	1,960,074

Compliance with code of corporate governance

The management is fully aware of the Company's obligations for compliance with the Code of Corporate Governance as incorporated in the Listing Regulations of all Stock Exchanges of Pakistan and steps are being taken for its effective implementation within the allowed time frame. The various statements, as required by the Code, are given below:

- ▶ The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- ▶ The Company has maintained proper books of account.
- ▶ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ▶ International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements to ensure the true and fair view of the Company's financial position.
- ▶ The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls.
- ▶ There are no significant doubts upon the Company's ability to continue as a going concern.



- ▶ There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations wherever applicable to the Company for the year ended June 30, 2012.

Financial highlights

Key operating & financial data of last eight years is included in this report.

Outstanding statutory dues

The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in note no. 10.

Statement on value of staff retirement funds

The value of investments of provident fund based on its unaudited accounts as at June 30, 2012 is Rs.55.184 million (2011: 42.801 million)

Board & its committee meetings

Attendance by each director at the Board of Directors (BOD) and Board Audit Committee (BAC) meetings are as under:

	Meetings attended	
	BOD	BAC
No. of meetings held	6	6
Mr. Aizaz Mansoor Sheikh	6 / 6	-
Mr. Nadeem Atta Sheikh	6 / 6	-
Mrs. Ghazala Amjad	3 / 6	-
Mrs. Hafsa Nadeem	- / 6	-
Mr. Omer Aizaz Sheikh	6 / 6	5 / 6
Mr. Ibrahim Tanseer	6 / 6	6 / 6
Mr. Muhammad Atta Tanseer Sheikh	6 / 6	6 / 6

The Directors who could not attend the Board & Committee Meetings and requested for leave were duly granted leave of absence from the meeting by the Board/Committees in accordance with the law.

Training program by Board of Directors

The Board has arranged Board Development Series Certificate Program of Pakistan Institute of Corporate Governance ("PICG") for two of its directors who have completed the training successfully during the year.

Trading In Company's shares

Movement in Directors, CEO and their spouses and minor children's shareholding is given as under:



			Shares Purchased /Gifted	Shares Sold/Gifted
i)	Mr. Aizaz Sheikh	CEO/Director	1,142,787	733,891*
ii)	Mr. Nadeem Atta Sheikh	Director	1,137,305	-
iii)	Mrs. Ghazala Amjad	Director	-	-
iv)	Mrs. Hafsa Nadeem	Director	-	-
v)	Mr. Omer Aizaz Sheikh	Director	403,483 36,517**	-
vi)	Mr. Ibrahim Tanseer	Director	-	-
vii)	Mr. Muhammad Atta Tanseer Sheikh	Director	-	-
viii)	Mrs. Shahnaz Aizaz	Mr. Aizaz Sheikh's Spouse	-	-
ix)	Mr. Sheikh Amjad Latif	Mrs. Ghazala Amjad's Spouse	-	750,250
x)	Mrs. Mahnum Omer Sheikh	Mr. Omer Aizaz Sheikh's Spouse	-	-

* Gift to sons

** Gift from father

Above data is based on information as provided by the Directors.

Pattern of shareholding

The Pattern of Shareholding alongwith additional information as required by the Code of Corporate Governance is included in this report.

External auditors

The present auditors, M/s. KPMG Taseer Hadi and Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended the re-appointment of present auditors of the Company for the ensuing year.

Corporate Social Responsibility

Disclosure as required by the Companies (Corporate Social Responsibility) General Order, 2009 is annexed.

Management and employees relations

The Board would like to record its appreciation for the valuable contribution made by all its employees. The management is quite confident that these cordial relations and cooperation will continue in the years to come.

For and on behalf of the Board

Aizaz Sheikh
Chief Executive

Lahore: September 12, 2012