

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, 2011.

Overview

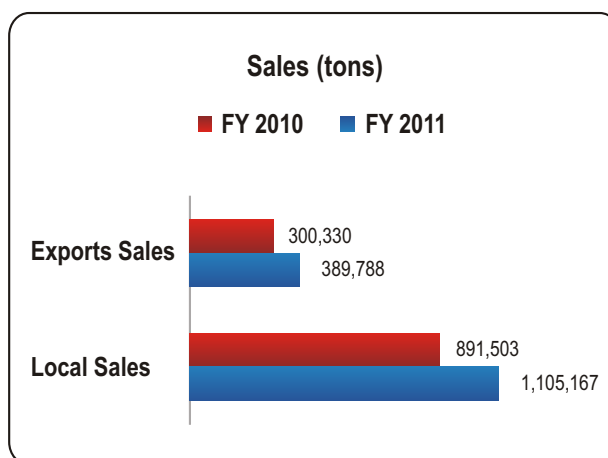
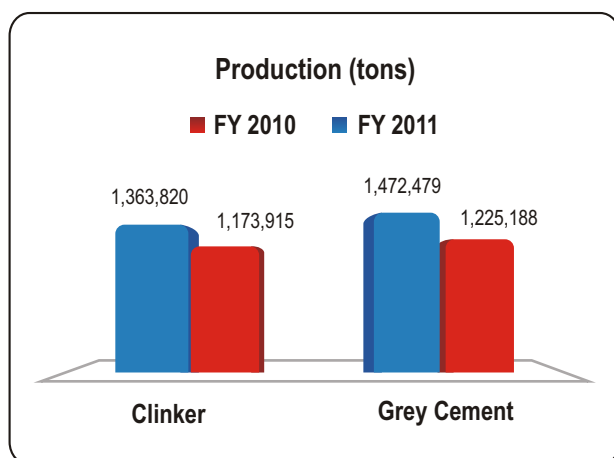
The economic slowdown coupled with high inflation severely affected the cement industry in the country. There was a negative growth of 8% in the cement sector where by domestic consumption of cement declined by 6.6% to 22 million tons and Exports declined by 11.7% to 9.4 million tons.

By the grace of Almighty Allah your company managed the highest ever sales volume of 1,494,955 tons of grey cement during the current financial year compared to 1,191,833 tons in the previous year showing an increase of 25.4% in sales volume.

Production and Sale Volumes

During the year under review production and sale performance of the company is enumerated below:

	FY 2011	FY 2010	Increase	Increase %
Tons			
Clinker Production	1,363,820	1,173,915	189,905	16%
Cement Production	1,472,479	1,225,188	247,291	20%
Local Sales	1,105,167	891,503	213,664	24%
Export Sales	389,788	300,330	89,458	30%
Total Sales	1,494,955	1,191,833	303,122	25%



There was no production or dispatches of white cement during the current financial year due to curtailment of Sui gas by SNGPL (2010: 4,660 tons dispatches).



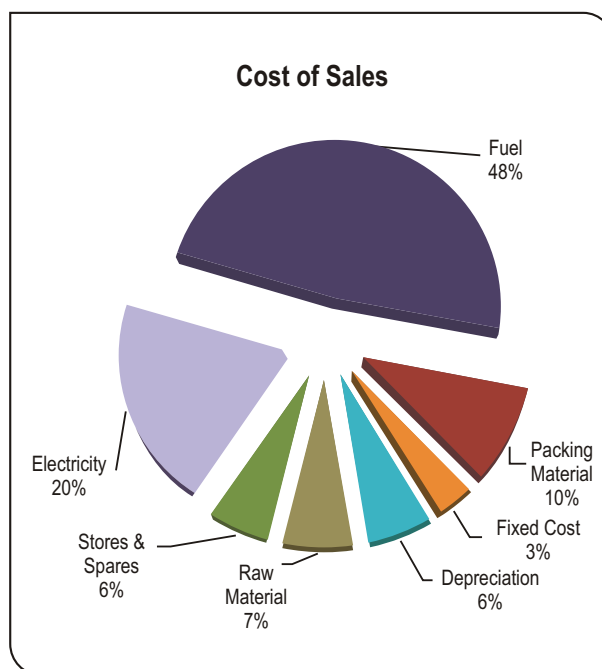
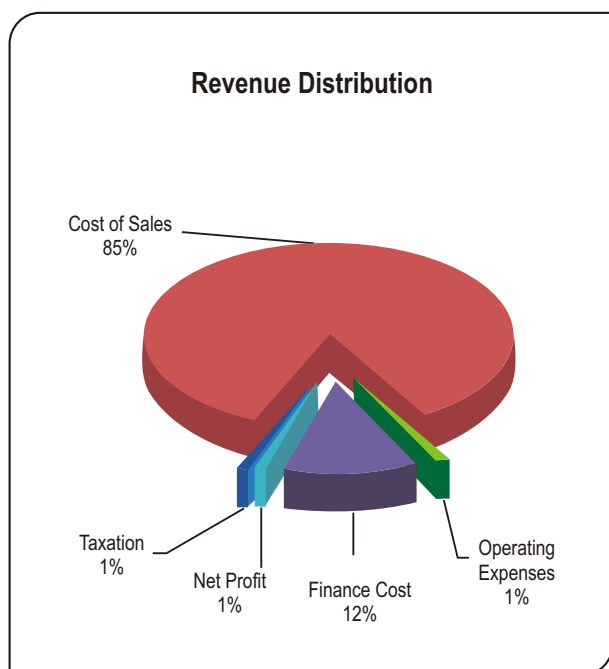
Financial results

The Company has earned a pre-tax profit of Rs. 125.7 million (2010: Pre-tax loss of Rs. 382.2 million) after accounting for all charges inclusive of depreciation of Rs. 310.562 million (2010: Rs. 255.7 million).

The operating performance of the company is summarized below:

	FY 2011	FY 2010	Increase	Increase %
	(Rupees in Millions)			
Net Sales	6,085	3,692	2,393	65%
Cost of Sales	5,158	3,335	1,823	55%
Gross Profit	927	357	570	160%
Operating Expenses	106	97	(9)	(9%)
Other Income	20	23	(3)	(13%)
Finance Cost	715	665	50	7%
Profit/(loss) before Taxation	125	(382)	507	133%
Taxation	62	(54)	116	215%
Profit/ (loss) after Taxation	63	(327)	390	119%

Increase in revenue during the current financial year is the result of increase in dispatches coupled with increase in cement prices. Current cement prices are still below the desired level.



Appropriations

The Directors of your company have decided not to declare any dividends because of strained cash flows of the company.

Future prospects

There is a slight increase in the local demand in the first quarter of the current financial year and this trend is expected to continue. An overall growth of 10% is projected in the cement sector during this year.

Overall profitability of the company is expected to improve in the current year due to improvement in the selling prices of cement and resumption of white cement production.

Debt Obligations - The Company is current with its debt obligations.

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, 2011.

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 and 33.

Statement on value of staff retirement funds - The value of investments as at June 30, 2011 in respect of retirement funds is as under:

- Provident fund	Rs. 42.801 million	Un-audited
- Gratuity fund	Rs. 4.806 million	Un-audited



The Gratuity scheme has been terminated as of 30 June 2011 and all amounts due to employees under the said scheme shall be paid off. Accordingly full provision has been accounted for according to actual amount due as per scheme.

Board meetings - During the year four meetings of the Board of Directors were held. Attendance by each director at the Board meeting is as under:

Name of director	No. of meetings Attended
Mr. Aizaz Mansoor Sheikh	3
Mr. Nadeem Atta Sheikh	4
Mr. Tariq Atta Sheikh (Late)	2
Mrs. Ghazala Amjad	4
Mrs. Hafsa Nadeem	3
Mr. Omer Aizaz Sheikh	4
Mr. Ibrahim Tanseer	4
Mr. Muhammad Atta Tanseer Sheikh	2

The Directors who could not attend the Board Meeting were duly granted leave of absence from the meeting by the Board in accordance with the law.

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

			Shares Purchased	Shares Sold/Gifted
i)	Mr. Aizaz Sheikh	CEO/Director	-	500,000*
ii)	Mr. Nadeem Atta Sheikh	Director	-	-
iii)	Mr. Tariq Atta Sheikh (Late)	Director	-	-
iv)	Mrs. Ghazala Amjad	Director	-	-
v)	Mrs. Hafsa Nadeem	Director	-	-
vi)	Mr. Omer Aizaz Sheikh	Director	-	100,000*
vii)	Mr. Ibrahim Tanseer	Director	325,000	-
viii)	Mr. Muhammad Atta Tanseer Sheikh	Director	325,000	
ix)	Mrs. Shahnaz Aizaz	Mr. Aizaz Sheikh's Spouse	500,000*	-
x)	Mrs. Hijab Tariq	Mr. Tariq Atta's Spouse	-	-
xi)	Mr. Sheikh Amjad Latif	Mrs. Ghazala Amjad's Spouse	-	-
xii)	Mrs. Mahnum Omer Sheikh	Mr. Omer Aizaz Sheikh's Spouse	100,000*	

* Gift to/from spouse

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



Pattern of shareholding - The Pattern of Shareholding and additional information as required by the Code of Corporate Governance are 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 - We work with Government to meet our legal and social obligations and contribute towards the development of the economy of the country and during the year contributed Rs. 1.8 billion into Government exchequer on account of direct and indirect taxes and duties.

Our plant is located in the vicinities of Kohat, Khyber Pakhtunkhwa, provides job opportunities for the people of that area. Company is running free school and hospital at factory site for its staff and their family members. Company is always looking forward for further initiatives in its Corporate Social Responsibility programs.

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 MANSOOR SHEIKH
Chief Executive

Lahore : 04 October 2011

