

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, 2010.

Financial results - The net sales revenue for the year under review is Rs. 3,692 million (2009: Rs. 3,396

million). The Company has suffered a pre-tax loss of Rs. 382.2 million (2009: Pre-tax profit of Rs. 21.18 million) after accounting for all charges inclusive of depreciation of Rs. 255.7 million (2009: Rs. 161.9 million).

The financial results for the year under review are as under:

	2010 Rupees	2009 Rupees
Profit before interest, tax and depreciation	532,046,124	733,030,136
Depreciation	255,694,028	161,943,037
Finance Costs	658,589,707	549,902,638
Profit/(Loss) before taxation	(382,237,611)	21,184,461
Taxation:		
- Current	24,473,951	8,737,780
- Deferred	(78,934,420)	(14,646,017)
	(54,460,469)	(5,908,237)
Profit/ (Loss) after taxation	(327,777,142)	27,092,698
Earnings/ (Loss) per share	(2.55)	0.21

Plant Performance - The Company produced 1,173,915 tons of clinker from its grey cement line (2009: 713,347 tons). Grey cement dispatches for the year were 1,192,927 tons (2009: 777,992 tons) including exports of 300,330 tons (2009: 196,650 tons) and in house consumption of 1,094 tons of cement (2009: 7,280 tons). Dispatches of white cement were 4,660 tons (2009: 20,893 tons) including exports of 1609 tons (2009: 5,802 tons).

Although the volume of cement dispatches increased by 53.33%, but there was a negative impact on the profitability of the Company due to reduced cement prices.

Appropriations - Keeping in view the financial results for the year and cash flow situation of the company it is impossible to declare any dividend.

Market review - Total domestic consumption of cement during the year under review was 23.524 million tons showing a growth of 14.57 % over the previous year,

while export sales were 10.439 million tons showing a negative growth rate of 0.50 % over the previous year.

Future prospects - The local demand has shown a healthy growth in current year and this trend is expected to continue. However, export market tends to remain under pressure. Instability in the country along with reduced export demand and unprecedented inflation are all negative factors for the cement sector. Your management expects tough times in the short term and is planning accordingly.

Debt Obligations -As stated in note 6.4 of the financial statements which has also been highlighted by the auditors in their report, Company could not manage to repay long term debt installments of Rs. 190 million along with mark up of Rs. 184.5 million. Restructuring of these finances is in process and by far banks representing 56% of total finance amount have given their approvals to Company's restructuring proposal and the management is confident that restructuring will be concluded in due course.



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 except for change in accounting policy as stated in note 2.2 of the financial statements, 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

Board meetings - During the year six 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	6
Mr. Nadeem Atta Sheikh	6
Mr. Tariq Atta Sheikh	5
Mrs. Ghazala Amjad	5
Mrs. Hafsa Nadeem	5
Mr. Omer Aizaz Sheikh	5
Mr. Ibrahim Tanseer	3

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.

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, 2010.

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. 11 and 33.

Statement on value of staff retirement funds - The value of investments as at June 30, 2010 in respect of retirement funds is as under:

- Provident fund Rs. 39.795 million Un-audited
- Gratuity fund Rs. 4.580 million Un-audited

Actuarial valuation of Gratuity as required under IAS 19 has been carried out.

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

Name of Directors			Shares Purchased/Gift	Shares Sold/Gifted
i)	Mr. Aizaz Sheikh	CEO/Director	-	-
ii)	Mr. Nadeem Atta Sheikh	Director	30,000	-
iii)	Mr. Tariq Atta Sheikh	Director	5,836,464	8,299,700
iv)	Mrs. Ghazala Amjad	Director	-	-
v)	Mrs. Hafsa Nadeem	Director	-	-
vi)	Mr. Omer Aizaz Sheikh	Director	-	-
vii)	Mr. Ibrahim Tanseer	Director	-	-
viii)	Mrs. Hijab Tariq	Mr. Tariq Atta's Spouse	5,977,231*	-
ix)	Mr. Sheikh Amjad Latif	Mrs. Ghazala Amjad's Spouse	169,700	-

* includes gift of 5,611,700 shares received from spouse

Pattern of shareholding - The Pattern of Shareholding and additional information as required by the Code of Corporate Governance are included in this report.

New Board of Directors - The new Board of Directors was elected for tenure of three years at the Extraordinary General Meeting of the Company held on June 26, 2010. The new Board appointed Mr. Aizaz Mansoor Sheikh as the Chief Executive of the Company for a period of three years w.e.f. June 29, 2010.

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. 1.13 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 has donated towards the rehabilitation of Internally Displaced Persons (IDPs) of Swat.

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 : 30 September 2010

