

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, 2013.

Overview

The cement sector of Pakistan registered an overall growth of 2.82% in terms of sales volumes during the financial year 2012-13. Domestic consumption has increased by 4.64% to 25.058 million tons while exports reduced to 8.374 million tons posting a negative growth of 2.26%.

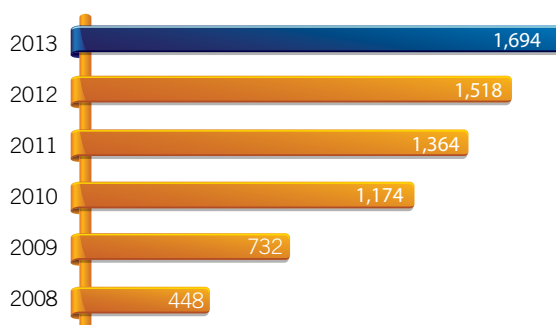
By the grace of Almighty Allah, your company has shown an overall growth of 7.9% in sales volume by dispatching 1.82 million tons of cement.

Production and Sale Volumes

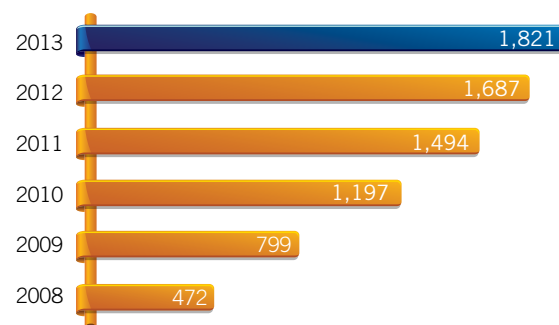
New grey cement line operated at 83.4% capacity utilization while the old grey cement line remained non operative due to overcapacity in the cement sector. Below is the summary of production and sales of the company during the year:

	FY 2013	FY 2012	Increase	% age
	Tons			
Clinker Production	1,694,616	1,518,029	176,587	11.63
Cement Production	1,854,663	1,679,122	175,541	10.45
Local Sales	1,509,091	1,411,565	97,526	6.91
Export Sales	311,888	276,117	35,771	12.96
Total Sales	1,820,979	1,687,682	133,297	7.90

Clinker Production ('000 Tons)



Cement Dispatches ('000 Tons)



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Financial results

Improved cement prices both in local and export markets, stable coal prices and lower financial costs contributed towards the profitability of the company. Your company earned a pre-tax profit of Rs. 3.769 billion (2012: Rs. 2.035 billion) after accounting for all charges inclusive of depreciation of Rs. 373.932 million (2012: Rs. 347.551 million).

The operating performance of the company is summarized below:

	FY 2013	FY 2012
	(Rupees in millions)	
Net Sales	11,297	9,316
Cost of Sales	6,936	6,464
Gross Profit	4,361	2,852
Operating Expenses	145	113
Other Expenses	234	108
Other Income	36	30
Finance Cost	249	626
Profit before Taxation	3,769	2,035
Taxation	1,137	375
Profit after Taxation	2,632	1,660
Earnings per share (Rs./ share)	20.45	12.90

Future prospects

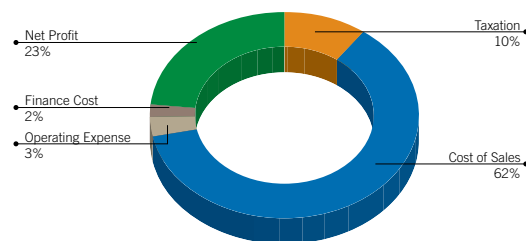
The demand of cement in local market is expected to grow due to increased Government spending on various infrastructure projects. To mitigate increase in energy costs management is in process of setting up a Waste Heat Recovery Plant.

Increase in cement demand coupled with lower financial costs and stable coal prices are likely to result in enhanced profitability of the company in the near future.

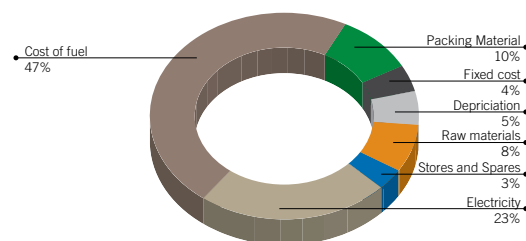
Appropriations

The Board of Directors of your company is pleased to propose a 50% final cash dividend of Rs. 5/- per ordinary share and 20% Stock Dividend i.e. issuance of 2 bonus shares for every 10 shares held; for Financial Year ended June 30, 2013.

Revenue Distribution (Percentage)



Cost of Sales (Percentage)



Appropriations approved by directors are as under:

	Rs. In '000'
Un-appropriated profits available at the beginning of the year	1,960,074
Profit after tax for the year	2,632,633
Profits available for appropriation	4,592,707
Appropriations for Financial Year 2012-13:	
Proposed Final Cash Dividend @ Rs. 5/- per ordinary share	643,786
Proposed Stock Dividend by issuance of 2 bonus shares for every 10 shares held i.e. 20%	257,514
	901,300
Un-appropriated profit carried forward	3,691,407

DIRECTORS' REPORT TO THE SHAREHOLDERS

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, 2013.

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. 9. These amounts do not include any overdue amounts as the company is current on all its statutory obligations.

Statement on value of staff retirement funds – The value of investments of provident fund based on its unaudited accounts as at June 30, 2013 is Rs. 68.467 million (2012: Rs.52.915 million)

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

	BOD	BAC
	Meetings attended	
No. of meetings held	5	5
Mr. Aizaz Mansoor Sheikh	5 / 5	-
Mr. Nadeem Atta Sheikh*	5 / 5	-
Mrs. Ghazala Amjad	2 / 5	-
Mrs. Hafsa Nadeem	2 / 5	-
Mr. Omer Aizaz Sheikh	5 / 5	5 / 5
Mr. Ibrahim Tanseer	5 / 5	5 / 5
Mr. Muhammad Atta Tanseer Sheikh	5 / 5	5 / 5

* Including meetings attended by his alternate director.

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

Election of Directors – Term of existing Board was completed on June 28, 2013. Election for the new Board was successfully held on June 27, 2013 and following directors were elected for a term of 3 years, by the shareholders of the company at Extra-Ordinary General Meeting held at on June 27, 2013:

1. Mr. Aizaz Mansoor Sheikh
2. Mr. Nadeem Atta Sheikh
3. Mrs. Shahnaz Aizaz
4. Mrs. Hijab Tariq
5. Mrs. Hafsa Nadeem
6. Mr. Muhammad Atta Tanseer Sheikh
7. Mr. Muhammad Rehman Sheikh

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of the Company has appointed Mr. Aizaz Mansoor Sheikh and Mr. Nadeem Atta Sheikh as the Chief Executive and Executive Director (whole time director) of the Company respectively for a term of three years commencing June 29, 2013, at

a remuneration of Rs. 1,100,000/- per month each along with other fringe benefits.

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
i)	Mr. Nadeem Atta Sheikh	Director	409,000	-
ii)	Mrs. Ghazala Amjad	Director	-	1,700,000
iii)	Mr. Ibrahim Tanseer	Director	-	225,000
iv)	Mr. Muhammad Atta Tanseer Sheikh	Director	-	225,000
v)	Mr. Sheikh Amjad Latif	Mrs. Ghazala Amjad's Spouse	-	687,000
vi)	Mrs. Mahnum Omer Sheikh	Mr. Omer Aizaz Sheikh's Spouse	38,535	-

Above data is based on information as provided by the Directors or available by CDC records.

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. On the recommendation of the Audit Committee, the Board of Directors has recommended to the shareholders, 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 and form part of this report.

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: September 18, 2013