

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, 2014.

Overview

The cement sector of Pakistan registered an overall growth of 2.54% in terms of sales volumes during the FY 2013-14. Domestic consumption has increased by 4.34% to 26.145 (2013: 25.059) million MT while exports reduced to 8.137 (2013: 8.374) million MT registering a negative growth of 2.84%.

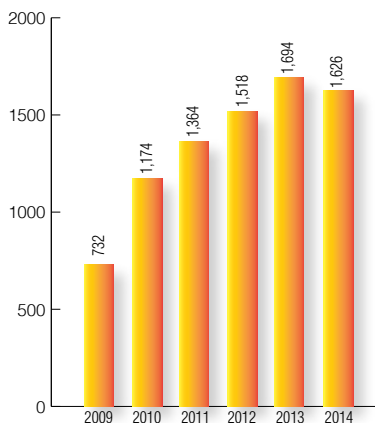
By the grace of Almighty Allah, your company has shown an overall growth of 4.71% in sales volume by dispatching 1.9 million metric tons of cement.

Production and Sale Volumes

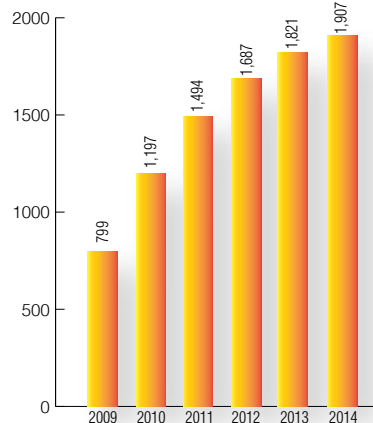
New grey cement line operated at 79.78% capacity utilization while the old grey cement line didn't produce any clinker as the new line alone fulfilled the market demand. Below is the summary of production and sales of the company during the year:

	FY 2014	FY 2013
	Metric tons	
Clinker Production	1,625,748	1,694,616
Cement Production	1,903,429	1,854,663
Local Sales	1,616,279	1,509,091
Export Sales	290,517	311,888
Total Sales	1,906,796	1,820,979

Clinker Production ('000 tons)



Cement Dispatches ('000 tons)





Financial performance

Your company has registered a 20% growth in terms of net profit over the previous year by earning a pre-tax profit of Rs. 4,377 billion (2013: Rs. 3,769 billion) after accounting for all charges inclusive of depreciation of Rs. 371 million (2013: Rs. 374 million) and arrears of Fuel Price Adjustment of Rs. 289 million (2013: Rs. nil). Stable coal prices, better cement rates in local market and growth in dispatch volumes contributed towards improved profitability.

The operating performance of the company is summarized below:

	FY 2014	FY 2013
	(Rupees in millions)	
Net Sales	12,766	11,297
Cost of Sales	7,959	6,936
Gross Profit	4,807	4,361
Selling, distribution & admin expenses	229	145
Other expenses	312	234
Other Income	265	36
Finance Cost	154	249
Profit before Taxation	4,377	3,769
Taxes	1,222	1,137
Profit after Taxation	3,155	2,632
Earnings per share (Rs./share)	20.42	17.04

Future prospects

In April 2014, PESCO increased the electricity tariff by more than 50% which shall affect the profitability of the company in the next year. However, the management is confident that the installation of 15MW Waste Heat Recovery Power Plant (WHRPP) shall mitigate this increase in electricity costs. WHRPP is currently under construction with a projected completion date of 30 June 2015.

The demand of cement in local market is expected to grow in wake of increased Government spending on infrastructure projects, which should help the profitability of the Company going forward.

Appropriations

The Board of Directors of your company is pleased to propose a 20% final cash dividend of Rs 2/- per ordinary share for Financial Year ended June 30, 2014.



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Appropriations approved by directors are as under:

	Rs. (In '000')
Profit after taxation	3,154,826
Un-appropriated profits from prior years	3,691,406
Available for appropriation	6,846,232
Subsequent effects:	
Proposed dividend for the year on ordinary shares @ Rs. 2/- per ordinary share	309,017
Un-appropriated profit carried forward	6,537,215

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 judgments.
- 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, 2014.

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 on the face of balance sheet and in note no. 10 to the financial statements.

Statement on value of staff retirement funds - The value of investments of provident fund based on its unaudited accounts as at June 30, 2014 is Rs. 65.462 million (2013: Rs. 68.467 million).

Board & its committee meetings - Attendances by each director at the Board of Directors (BOD), Board Audit Committee (BAC) and HR&R Committee (HR&R) meetings are as under:

	Meetings attended		
	BOD	BAC	HR&R
No. of meetings held	7	6	2
Mr. Aizaz Mansoor Sheikh	7/7	-	2/2
Mr. Nadeem Atta Sheikh	6/7	-	-
Mrs. Hijab Tariq	7/7	-	-
Mrs. Hafsa Nadeem	2/7	-	-
Mrs. Shahnaz Aizaz *	2/3	3/4	-
Ms. Aminah Aizaz Sheikh *	4/4	2/2	-
Mr. Muhammad Atta Tanseer Sheikh	7/7	6/6	2/2
Mr. Muhammad Rehman Sheikh	4/7	4/6	1/2

* Ms. Aminah Aizaz Sheikh appointed as Director in place of Mrs. Shahnaz Aizaz on her resignation from the Board on 17 February 2014.

The Directors who could not attend the Board & Committee Meetings and requested for leave were

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duly granted leave of absence from the meeting by the Board/Committees in accordance with the law.

certifications under Directors' Certification Training Programme from an institute duly approved by the Securities and Exchange Commission of Pakistan.

Directors' Training Programme – During the year one directors of the Company attended and obtained

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

			Transferred to ANS Capital (Holding Co.)	Purchased	Sold
i)	Mr. Aizaz Sheikh	CEO/Director	22,566,000	-	-
ii)	Mr. Nadeem Atta Sheikh	Director	29,101,000	120,000	-
iii)	Mrs. Shahnaz Aizaz	Director	499,500	-	-
iv)	Mrs. Hafsa Nadeem	Director	1,895,500	-	-
v)	Ms. Aminah Aizaz Sheikh*	Director	2,075,500	-	-
vi)	Mr. Rahman Sheikh	Director	2,199,500	-	-
vii)	Mr. Muhammad Atta Tanseer Sheikh	Director	2,624,000	452,192	50,000
viii)	Mr. Ibrahim Sheikh	Executive	3,145,000	973,192	50,000
ix)	Mr. Sardar Shahbaz Ali Khan Khosa**	Director's Spouse	-	15,000	975,000

Further 20% Bonus shares as approved by the members in AGM on 31-Oct-2013 were also issued to the directors according to their entitlement.

* this transaction was made before her becoming director of the Company

** these reflect transactions made after becoming his spouse director of the Company

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Pattern of shareholding - The Pattern of Shareholding along with 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 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 05, 2014

