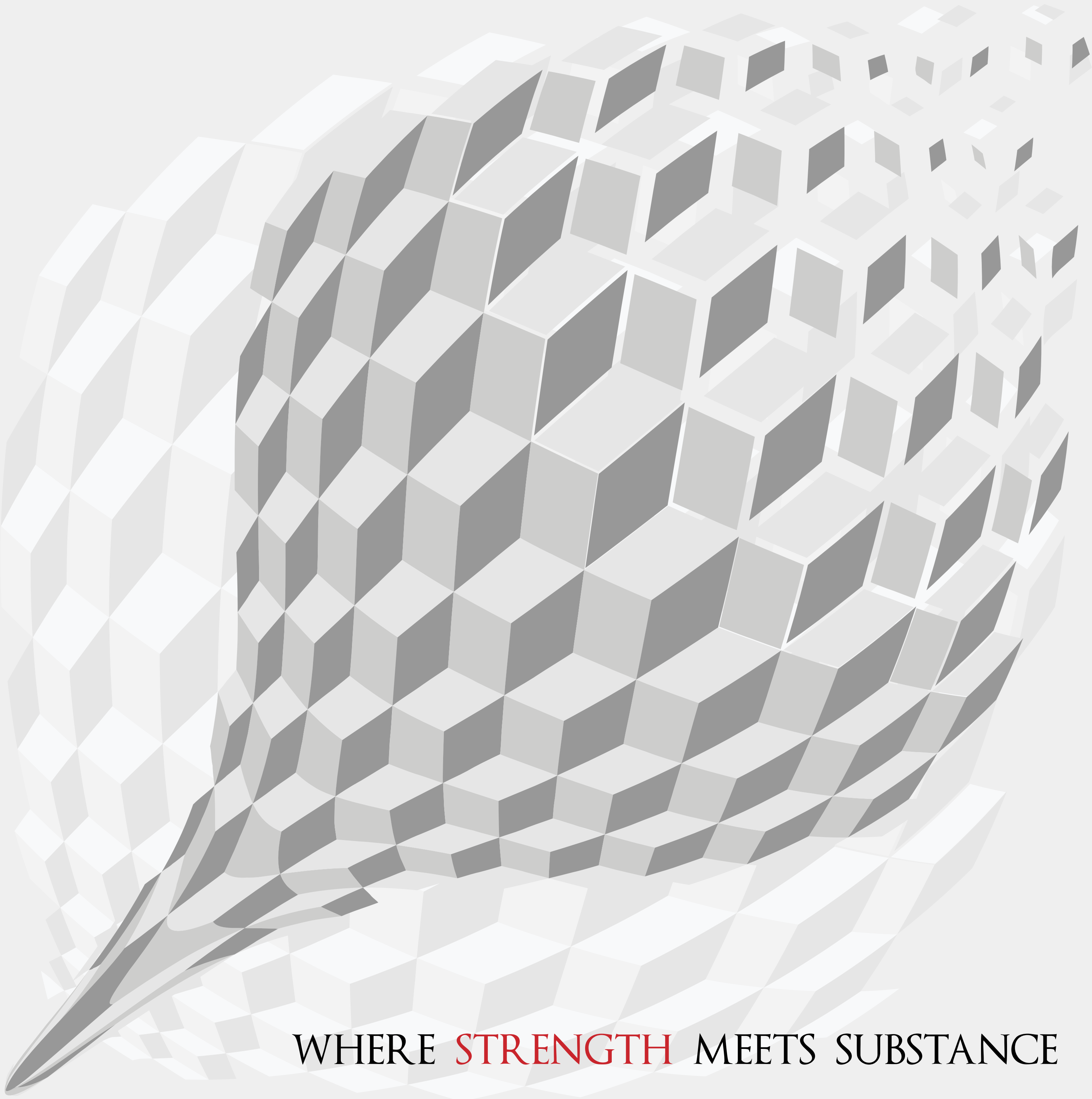
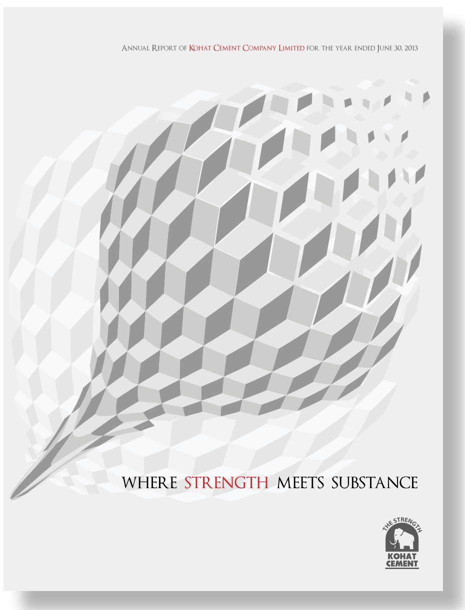
Annual Report of Kohat Cement Company Limited for the year ended June 30, 2013



WHERE STRENGTH MEETS SUBSTANCE



About the Cover

Success is a fusion of enduring effort and meaningful commitment. Progress can only be achieved by validating one's burning thirst of knowledge with an even stronger sense of purpose.

At Kohat Cement, we believe in the same unification – of idea with thought, merit with meaning, and prowess with principle.

Our cover this year, displays the synergy of our efforts; where each concrete block represents our tenacity to form an architectural wonder. To us, the blend between strength and substance is the essence of our continued progress and the reason behind our lasting performance.

Key Performance Indicators

Sales Revenue
Rs. in million
11,297

Return on Equity
Percentage
43.58

Earnings Per Share
Rupees
20.45

Debt to Equity
Percentage
24.00

Shareholders' Equity
Rupees in million
6,041

Assets Turnover
Percentage
174

CONTENTS

Vision, Mission & Corporate Strategy

Vision

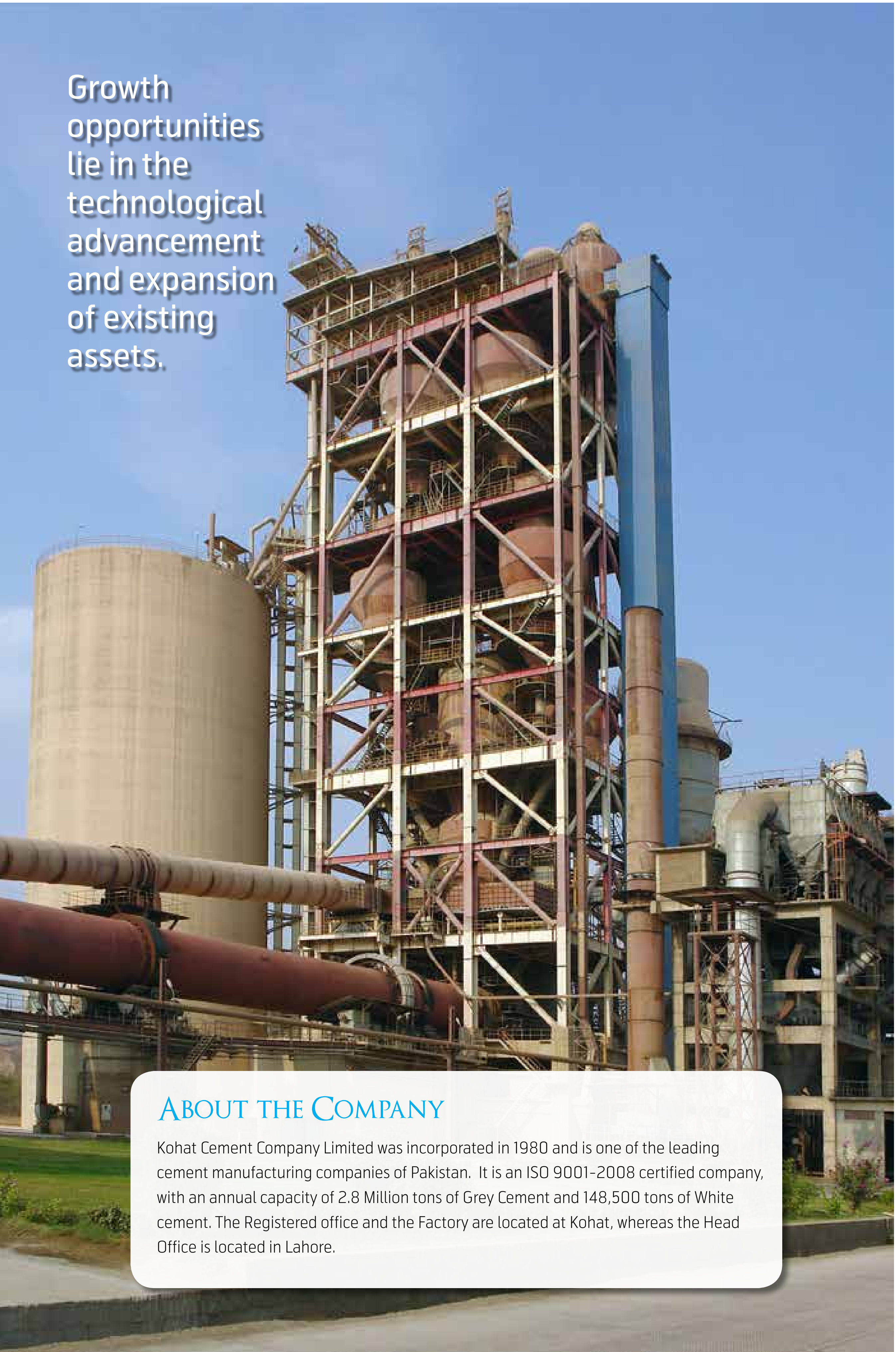
Be the best in the eyes of all stakeholders

Our Mission is to Provide

- Our Customers with quality cement at competitive pricing
- Our Shareholders with good returns and sustainable growth
- Our Employees with care and career development opportunities

Corporate Strategy

Stay ahead of competition by adopting latest technology with efficient and progressive teamwork in an environment of good governance and professionalism



Growth opportunities lie in the technological advancement and expansion of existing assets.

About the Company

Kohat Cement Company Limited was incorporated in 1980 and is one of the leading cement manufacturing companies of Pakistan. It is an ISO 9001-2008 certified company, with an annual capacity of 2.8 Million tons of Grey Cement and 148,500 tons of White cement. The Registered office and the Factory are located at Kohat, whereas the Head Office is located in Lahore.

Corporate Information

Board of Directors

Chief Executive
Mr. Aizaz Mansoor Sheikh

Executive Director
Mr. Nadeem Atta Sheikh

Independent Director
Mr. M. Atta Tanseer Sheikh

Non-Executive Directors
Mrs. Shahnaz Aizaz
Mrs. Hijab Tariq
Mrs. Hafsa Nadeem
Mr. Muhammad Rehman Sheikh

Audit Committee

Mr. M. Atta Tanseer Sheikh
Chairman
Mrs. Shahnaz Aizaz
Mr. Muhammad Rehman Sheikh

HR&R Committee

Mr. Muhammad Rehman Sheikh
Chairman
Mr. Aizaz Mansoor Sheikh
Mr. M. Atta Tanseer Sheikh

Company Secretary

Mr. Khurram Shahzad, FCA

Legal Advisor

Qazi Waheed-ud-Din

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrar

Hameed Majeed Associates (PVT) Limited
H.M. House, 7-Bank Square, Lahore
Tel: (042) 37235081-82
Fax: (042) 37358817

Registered Office and Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.
Tel: (0922) 560990
Fax: (0922) 560405
Email: finance@kohatcement.com

Head Office

37- P Gulberg - II, Lahore.
Tel: (042) 11 111 5225
Fax: (042) 3575 4990
Email: mis@kohatcement.com

Bankers of the Company

Standard Chartered Bank (Pak) Ltd
The Bank of Khyber
Askari Bank Limited
Soneri Bank Limited
National Bank of Pakistan
KASB Bank Limited
The Bank of Punjab
Bank Alfalah Limited
MCB Bank Limited
Allied Bank Limited
United Bank Limited

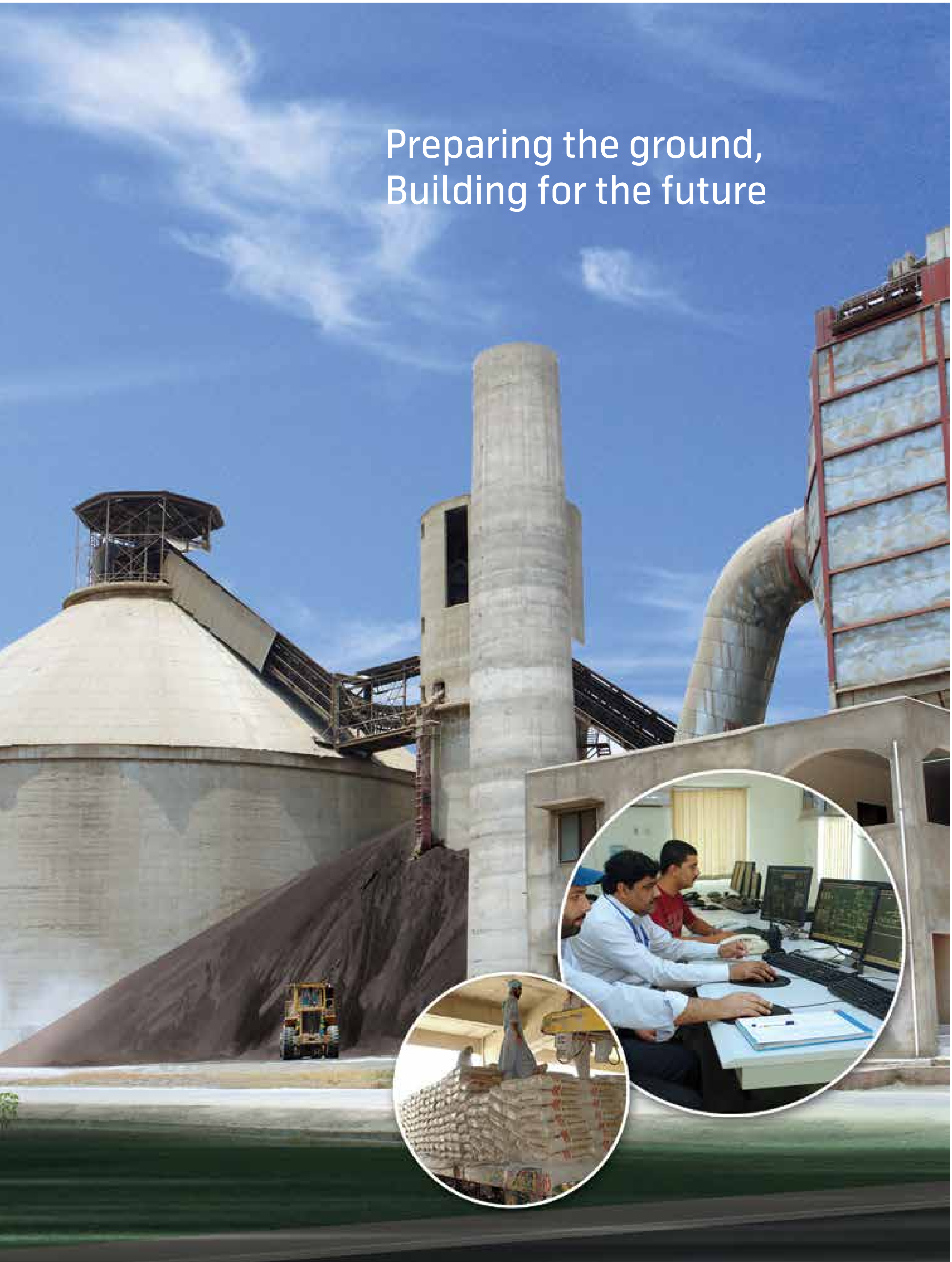
Organogram

- Board of Directors
  - Audit Committee
  - HR and Remuneration Commitee
  - Chief Executive Officer
    - Internal Audit
    - Company Secretary
    - Head of HR&Admin
    - Chief Financial Officer
    - Head of Sales and Marketing
    - Head of Commercial
    - Head of Planning & Development
    - Executive Director
      - GM Works
      - Head of Purchase
      - Head of Quality Control

Our culture

- Open communication, transparency and good ethical behavior form the basis of our corporate values.
- Our executive management has a very 'hands on' approach and thus is involved in the day-to-day activity of the company.
- No person in the management hierarchy is unapproachable; our carefully designed communication procedures ensure that any complaint or feedback is brought to the notice of the management.
- Our employees experience a healthy work life balance and a constant growth in both their professional and personal life.
- To help achieve our employee's full potential and foster their learning, we frequently nominate our employees for trainings, workshops and seminars.

Preparing the ground, Building for the future



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 34th Annual General Meeting of the shareholders of Kohat Cement Company Limited ("Company") will be held on Thursday, October 31, 2013 at 11:00 A.M., at its registered office, Kohat Cement Factory, Rawalpindi Road, Kohat, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2013 together with Auditors' and Directors' Reports thereon.

2. To consider and approve, as recommended by the Board of Directors, the payment of cash dividend for the year ended June 30, 2013 @ 50% i.e. Rs. 5/- per ordinary share;

3. To appoint Auditors and to fix their remuneration. The present Auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment.

Special Business

4. To consider and if thought fit, to increase the Authorized Share Capital of the Company from Rs. 1,500,000,000 (Rupees One Billion Five Hundred Million) divided into 150,000,000 ordinary shares of Rs 10/- each to Rs. 3,000,000,000 (Rupees Three Billion) divided into 300,000,000 ordinary shares of Rs 10/- each and to alter the Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company.

5. To approve, as recommended by the Board of Directors, issue of bonus shares in proportion of two (2) ordinary shares for every ten (10) ordinary shares held by the Members (i.e. 20%) by capitalization of a sum of Rs. 257,514,490 out of unappropriated profits/free reserves.

   Draft resolutions proposed to be considered in the meeting relating to special business and a statement U/S 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business is being sent to the shareholders along with this notice.

(By Order of the Board)

Khurram Shahzad
Company Secretary

Lahore: October 10, 2013

Notes:

1. The register of members and the share transfer books of the Company will be closed from Thursday, October 24, 2013 to Thursday, October 31, 2013 (both days inclusive). Physical transfers / CDS transactions IDs received in order at the Company's Independent Share Registrar Office, M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore, upto the close of business on Wednesday, October 23, 2013 will be treated in time for the purpose of entitlement of dividend, bonus shares and to attend the meeting.

2. A member entitled to attend and vote at the Meeting may appoint another person as his/her proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received at the Head Office of the Company, 37-P, Gulberg-II, Lahore 48 hours before the time of the holding of the Meeting. A proxy must be a member of the Company. Form of proxy is enclosed herewith.

3. The members should quote their folio number/ CDS IDs in all correspondence with the Company and should bring at the time of attending the Annual General Meeting.

4. The members are requested to notify immediately changes, if any, in their registered addresses.

5. According to SECP directives, dividend warrant(s) must bear the CNIC number of the registered shareholder. Therefore, the members who have not yet submitted photocopy of their valid computerized national identity cards to the

Company are requested to send the same at the office of Independent Share Registrar of the Company.

6. As directed by the SECP vide Circular No. 18 of 2012 dated June 5, 2012, we once again give the opportunity to those shareholders who have not yet provided dividend mandate information, to authorize the Company to directly credit the cash dividend, if any, declared by the company in future, in their respective bank account instead of issuing a dividend warrant, by providing their dividend mandate, in case of book entry securities in CDS, to respective CDS participants and in case of physical shares to Company's Independent Share Registrar. Copy of dividend mandate form may be downloaded from Company's website www.kohatcement.com.

7. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated 26th January 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For attending the meeting:

i) In case of individuals, the account holder or sub account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/ her identity by showing his/ her original computerized national identity card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee alongwith his original CNIC or original passport shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

i) In case of individuals, the account holder or sub account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the requirements stated above.

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

iii) The proxy shall produce his/ her original CNIC or original passport at the time of the meeting.

iv) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature alongwith his original CNIC or original passport shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

8. The Memorandum and Articles of Association of the Company including the proposed amendments have been kept at the registered office of the Company and can be inspected during business hours on all working days upto October 31, 2013.

Draft Resolutions proposed to be considered at the Annual General Meeting

Item No. 4: Increase in Authorised Share Capital

The following resolution is proposed to be passed as special resolution, with or without modification:

"**Resolved** that the authorised share capital of the Company be and is hereby increased from Rs. 1,500,000,000 (Rupees One Billion Five Hundred Million) divided into 150,000,000 ordinary shares of Rs 10/- each to Rs. 3,000,000,000 (Rupees Three Billion) divided into 300,000,000 ordinary shares of Rs 10/- each by creation of 150,000,000 new ordinary shares of Rs 10/- each.

Resolved Further that Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company be and are hereby altered to read as under:

Clause V of the memorandum of Association

"V. The authorised share capital of the Company is Rs. 3,000,000,000 (Rupees Three Billion) divided into 300,000,000 ordinary shares of Rs 10 (Rupees Ten) each with the powers to increase or reduce the capital and to divide the share capital into different classes consisting of ordinary shares only."

Article 5 of the Articles of Association

"5. The Company may from time to time by ordinary resolution increase, consolidate, sub-divide, cancel or otherwise re-organise the share capital

of the Company subject to the provisions of the Companies Ordinance, 1984. Moreover, the Company may, by special resolution, reduce its share capital in any manner and with, and subject to, any incident authorized and consent required by law."

Resolved Further that the shares when issued shall carry equal voting rights and rank pari passu with the existing ordinary shares in all respects/matters in conformity with the provisions of Section 92 of the Companies Ordinance, 1984.

Resolved Further that the Chief Executive and Company Secretary be and are hereby jointly and singly authorized to complete all legal and corporate formalities for increasing the Authorized Capital of the Company and effectuate this Resolution."

Item No. 5: Issue of Bonus Shares

The following resolution is proposed to be passed with or without modification(s) as an ordinary resolution:

"**Resolved** that a sum of Rs 257,514,490 out of the Free Reserves of the Company be capitalised and applied to the issue of 25,751,449 ordinary shares of Rs 10/- each and allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members on the Company as at close of business on October 23, 2013 in the proportion of 2 new shares of for every 10 existing ordinary shares held and that such new shares shall rank parri passu with the existing ordinary shares of the Company.

Resolved Further that fraction shares to be allotted as a result of distribution of Bonus Shares be consolidated with the Company Secretary for sale in the open market in due course and proceeds be donated to Imran Khan Foundation, a non-profit organization.

Resolved Further that for the purpose of giving effect to the foregoing, the Chief Executive and the Company Secretary be and are hereby authorized to take all necessary actions under the law and to settle any questions or difficulties that may arise in the distribution of the said Bonus Shares or in the disposal of fractions and payment of proceeds thereof."

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on October 31, 2013 pertaining to increase in authorized share capital of the Company.

Item No. 4: Increase in Authorised Share Capital

The Board of Directors has recommended that the authorised capital of the company be increased from Rs. 1,500,000,000 (Rupees One Billion Five Hundred Million) divided into 150,000,000 ordinary shares of Rs 10/- each to Rs. 3,000,000,000 (Rupees Three Billion) divided into 300,000,000 ordinary shares of Rs. 10 each by creation of 150,000,000 new ordinary shares of Rs 10/- each to facilitate issue of bonus shares and to cater for future increase in paid-up share capital of the company. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company.

The new ordinary shares when issued shall rank pari passu with the existing ordinary shares in all respects.

No Director or Chief Executive of the Company or their relatives has any interest in the proposed alteration, except in their capacities as Director / Chief Executive / shareholders.

Item No. 5: Issue of Bonus Shares

The Directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves upto Rs. 257,514,490. Therefore, the directors have recommended the issue of 25,751,449 bonus shares by capitalization of a part of free reserves of the Company. After the issue of bonus shares, the total paid up capital of the Company will increase to Rs. 1,545,086,900 divided into 154,508,690 ordinary shares of Rs. 10 each.

The new ordinary shares when issued shall rank pari passu with the existing ordinary shares in all respects.

No Director or Chief Executive of the Company or their relatives has any interest in the proposed alteration, except to the extent of their entitlement to bonus shares as ordinary members of the Company.

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

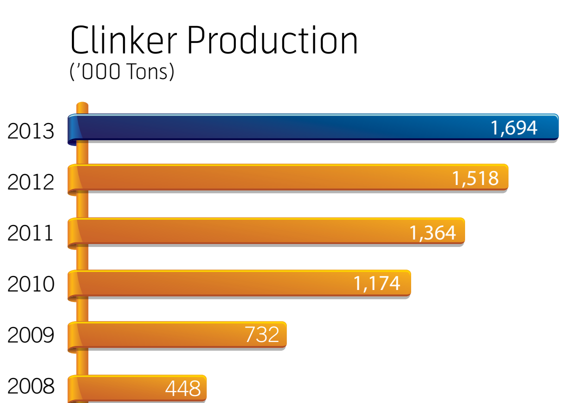
The cement sector of Pakistan registered an overall growth of 2.82% in terms of sales volumes during the financial year 2012-13. Domestic consumption has increased by 4.64% to 25.058 million tons while exports reduced to 8.374 million tons posting a negative growth of 2.26%.

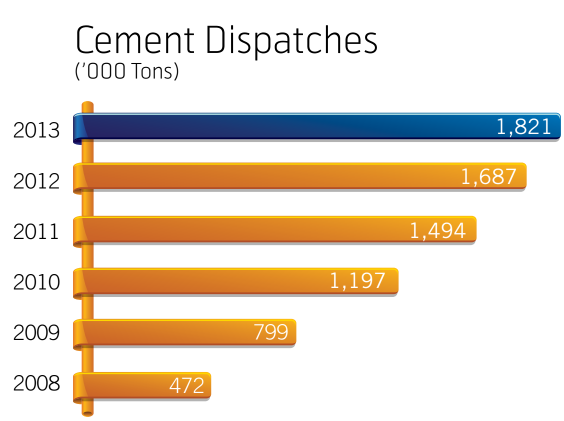
By the grace of Almighty Allah, your company has shown an overall growth of 7.9% in sales volume by dispatching 1.82 million tons of cement.

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





Directors' Report to the Shareholders

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.

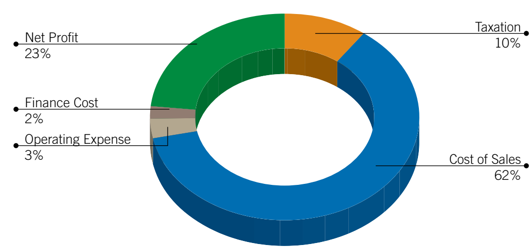
Increase in cement demand coupled with lower financial costs and stable coal prices are likely to result in enhanced profitability of the company in the near future.

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.

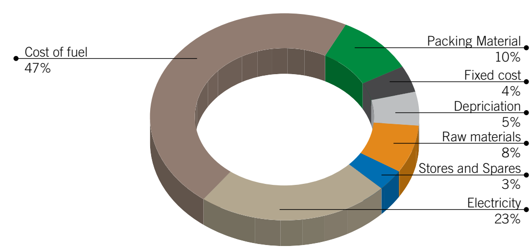
Revenue Distribution

(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 directer.

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

Corporate Social Responsibility



We at KCCL recognize that the key to a successful and sustainable business is to give back to the society from which we derive economic benefits. We create value for our local community, employees and the government by providing a vast array of facilities including donations to different organizations, Hajj Schemes to our employees, Financial assistance to the families of our deceased employees, Initiating youth development programs, promoting a better work life balance amongst our employees and contributing regularly to the national exchequer as per law.

Hajj Scheme for Employees:

KCCL maintains a Hajj fund. Two employees from the company, with a minimum of three years' service with KCCL, are selected every year through a lucky draw. Consequently, financial and logistic arrangements are made by KCCL and the selected employees are sent for Hajj. To date 81 employees have performed Hajj under the Hajj scheme.

Financial Assistance and Donations:

KCCL donated to Ghulab Devi Chest Hospital where patients get free medical, surgical and diet treatment. KCCL also donated to LABARD who provide free medical assistance, counseling and employment to the disabled.

We believe that once you join KCCL you become an integral part of the KCCL family. Thus, being a responsible family head, we provide monthly financial assistance to the widows of our deceased employees so that they may fulfill their needs.

Health, Safety and Environment:

We at KCCL work continuously to ensure that our employees work in a safe and healthy working environment. In order to achieve our goal, we established an HSE department in the prior year and have continued its growth since. At present, the department provides numerous services at factory site including providing safety guidelines to employees, counseling, spreading awareness regarding health and safety procedures and supervising projects to safeguard the safety of our employees. Additionally, the daily Health and Safety inspections are a norm and thus have helped in developing a culture at factory site that prioritizes employee safety above anything else.

Work-Life balance:

In order to promote a healthy work life balance we at KCCL strictly follow a 9 am to 5 pm working routine. This ensures that our employees have plenty of time after work for extracurricular activities with their families and friends.

Sports and Recreation:

We are committed to the promotion and development of sports and fitness at our plant site. KCCL has thus established and maintained a Basketball & Badminton Court, Cricket Pitch and a Gymnasium for all our employees at the factory.

Youth Development Program:

Scholarship program for the talented and deserving students was initiated this year, sponsoring one student from Aitcheson Institute of Management Sciences.

The Board has also decided to sponsor a student for his complete Bachelor's Degree at Namal College, including all lodging and educational expenses and shall contribute Rs. 2 million for this scholarship.

Business ethics and anti-corruption measures:

The management is committed to conduct all business activities with integrity, honesty and in full compliance with the current laws and regulations. A code of conduct has been developed and approved by the board, which is signed by all employees.

Contribution to the National Exchequer:

To meet our legal and social obligation towards the development of the economy of the country, the company has contributed Rs. 2.806 billion in the FY 2012-13 into the Government exchequer on account of taxes levies, excise duty and sales tax. Moreover, foreign exchange amount of USD $20.1 Million was also earned for the country from export of cement during the financial year.

KEY FINANCIAL DATA

For the last 8 years

	2013	2012	2011	2010	2009	2008	2007	2006
TRADING RESULTS								
Quantitative data (000 M.Tonnes):								
Capacity:								
Clinker:								
- Grey	2,550	2,550	2,550	2550	1880	540	540	540
- White	135	135	135	135	135	135	135	135
Cement:								
- Grey	2,805	2,805	2,805	2805	1974	567	567	567
- White	149	149	149	149	142	142	142	142
Production:								
Clinker:								
- Grey	1,677	1,508	1,364	1,174	713	429	506	554
- White	18	10	-	-	19	19	23	16
Cement:								
- Grey	1,833	1,665	1,472	1,225	782	450	529	555
- White	21	14	-	4	20	21	22	15
Dispatches - cement:								
- Grey	1,800	1,673	1,494	1,192	778	452	524	557
-White	21	14	-	5	21	20	23	14
Financial data (Rs. 000):								
Turnover	11,297,213	9,316,381	6,085,435	3,692,038	3,395,581	1,371,792	1,553,733	2,327,238
Gross profit	4,360,867	2,852,404	927,132	357,021	804,559	87,402	343,267	1,199,662
Operating profit	4,216,044	2,739,446	837,088	264,831	662,974	21,629	278,226	1,145,849
Profit before tax, interest & VSS	4,018,513	2,662,045	841,028	283,206	693,901	36,649	346,210	1,093,522
Profit/(loss) before tax	3,769,540	2,035,984	125,781	(382,238)	21,184	(279,573)	327,841	1,039,424
Profit/(loss) after tax	2,632,633	1,660,511	63,716	(327,777)	27,093	(222,439)	248,368	789,867
BALANCE SHEET (Rs. 000)								
Shareholders equity	6,041,048	3,756,455	2,102,816	1,960,970	2,271,547	2,329,129	2,339,656	2,283,940
Fixed capital expenditure	6,610,342	6,868,440	7,140,841	7,229,394	6,937,818	6,248,720	5,258,260	2,079,393
Operating fixed assets	6,507,332	6,789,893	7,140,841	6,368,030	6,352,853	941,431	1,023,528	865,106
Net current assets/(liabilities)	1,831,939	(580,914)	(856,921)	(1,835,304)	(1,300,717)	(683,869)	642	556,588
Long term liabilities	382,361	1,328,435	3,887,947	3,407,267	3,305,756	3,122,560	2,810,116	245,309
Deferred liabilities	2,076,954	1,228,691	323,098	62,670	101,198	155,733	158,740	161,268
RATIO ANALYSIS								
Gross profit ratio %	38.60	30.62	15.24	9.67	23.69	6.37	22.09	51.55
Profit before tax ratio %	33.37	21.85	2.07	(10.35)	0.62	(20.38)	21.10	44.66
Profit after tax ratio %	23.30	17.82	1.05	(8.88)	0.80	(16.22)	15.99	33.94
Operating fixed assets turnover ratio %	173.61	137.21	85.22	57.98	53.45	145.71	151.80	269.01
Return on capital employed %	47.27	42.16	12.34	6.22	12.32	(3.09)	6.21	31.37
Debt : equity ratio	20: 80	43: 57	70 : 30	72 : 28	69 : 31	67 : 33	55 : 45	10 : 90
Current ratio	1.80	0.80	0.70	0.43	0.56	0.66	1.00	2.44
Interest coverage ratio	16.14	4.25	1.18	0.42	1.26	(4.71)	1.23	20.21
BREAK UP VALUE PER SHARE OF RS. 10 EACH (Rs.)	46.92	29.17	16.33	15.23	17.64	19.90	22.99	24.68
EARNING/ (LOSS) PER SHARE (Rs.)	20.45	12.90	0.49	(2.55)	0.21	(1.73)	2.12	9.06
DIVIDENDS								
Cash (Rs. 000)	643,786	386,272	-	-	-	-	-	-
%age	50%	30%	-	-	-	-	-	-
Bonus Shares	257,514	-	-	-	-	11,705	15,267	9,253
%age	20%	-	-	-	-	10%	15%	10%

Statement of Compliance

with the Code of Corporate Governance for the Year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Muhammad Atta Tanseer Sheikh
Executive Directors	1. Mr. Aizaz Mansoor Sheikh 2. Mr. Nadeem Atta Sheikh
Non-Executive Directors	1. Mrs. Shahnaz Aizaz 2. Mrs. Hijab Tariq 3. Mrs. Hafsa Nadeem 4. Mr. Muhammad Rehman Sheikh

The independent directors meets the criteria of independence under clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of any stock exchange.

4 No casual vacancy occurred in the Board during the year.

5. The Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

Statement of Compliance

with the Code of Corporate Governance for the Year ended June 30, 2013

9. The Company has elected its seven directors in its EOGM held on 27th June 2013 for three years' term; accordingly, the Board shall ensure that the directors acquire the certification under the directors training program within the time frame specified by the Code. However, as per clause (xi) of the Code, Mr. Nadeem Atta Sheikh is exempt from the directors training program because of having 14 years of education and over 15 years of experience on the board of listed companies.

10. The Board has approved the appointment of the Company Secretary including his remuneration and terms and conditions of employment. There were no new appointments of the CFO and Head of Internal Audit during the year, however, all such appointments including their remuneration and terms and conditions of employment are duly approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members including Chairman, of whom all are non-executive directors and the Chairman of the Committee is also an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed Human Resource and Remuneration (HR&R) Committee. It comprises three members, of whom two are non-executive directors and one is the executive director. The chairman of the Committee is a non-executive director.

18. The Board has set-up an effective internal audit function and personnel involved are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

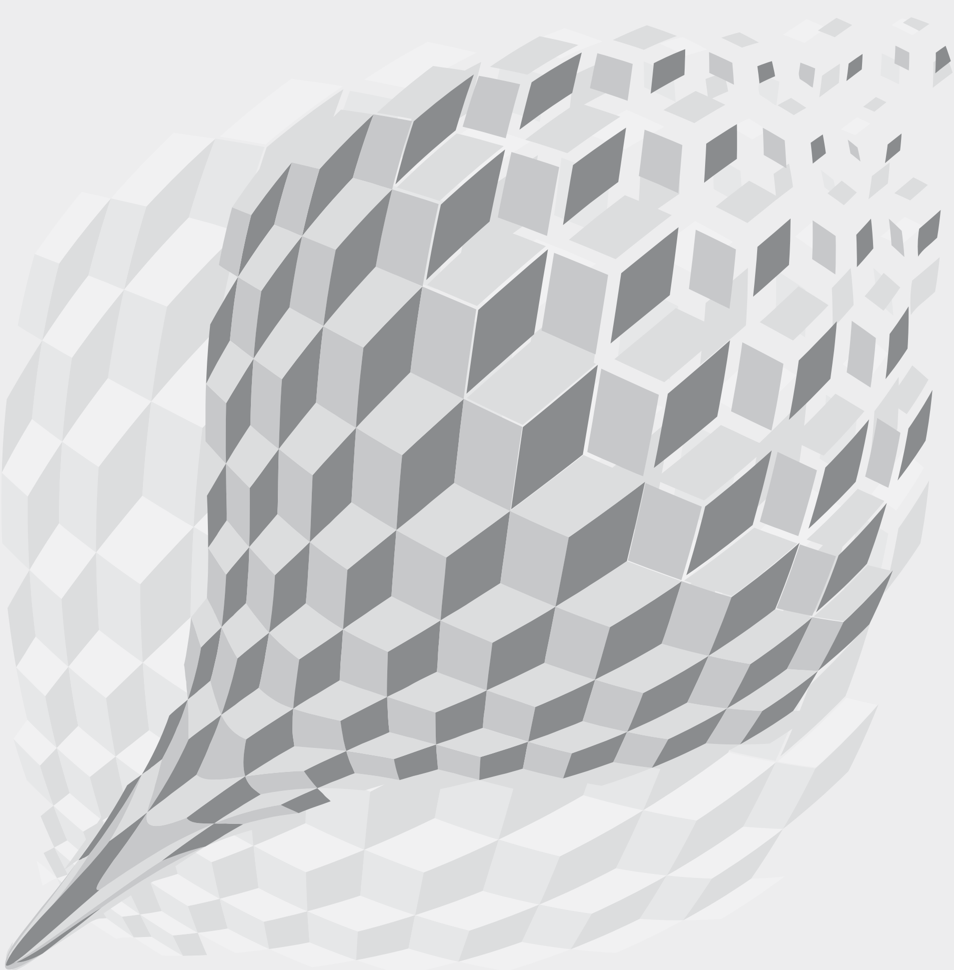
23. We confirm that all other material principles enshrined in the Code have been complied with.

Aizaz Mansoor Sheikh
Chief Executive

Lahore: September 18, 2013

Financial Statements

For the year ended 30 June 2013



Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of Kohat Cement Company Limited ("the Company") to comply with the Listing Regulations of Islamabad, Karachi and Lahore Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the respective Stock Exchanges, where the Company is listed, requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore: September 18, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Kohat Cement Company Limited ("the Company) as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980) was deducted by the Company, however it has been deposited in the Central Zakat Fund established under section 7 of that Ordinance subsequent to 30 June 2013.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore: September 18, 2013

Balance Sheet
As at 30 June 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Authorized share capital			
150,000,000 (2012: 150,000,000) ordinary shares of Rs. 10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital	4	1,287,572,410	1,287,572,410
Reserves	5	160,768,658	122,536,851
Accumulated profit		4,592,706,927	2,346,346,095
		6,041,047,995	3,756,455,356
Non-current liabilities			
Long term finances - secured	6	380,300,000	1,162,700,000
Long term security deposits and retention money	7	2,061,100	165,735,153
Deferred liabilities	8	2,076,954,086	1,228,691,186
		2,459,315,186	2,557,126,339
Current liabilities			
Trade and other payables	9	1,122,362,342	1,147,023,602
Interest and markup accrued	10	87,864,322	99,014,642
Short term borrowings - secured	11	501,461,206	1,160,957,469
Current portion of non-current liabilities	6	582,539,087	492,300,000
		2,294,226,957	2,899,295,713
Contingencies and commitments	12	-	-
		10,794,590,138	9,212,877,408

The annexed notes from 1 to 42 form an integral part of these financial statements.

Lahore: September 18, 2013

Balance Sheet
As at 30 June 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non current assets			
Property, plant and equipment			
Operating fixed assets	13	6,507,331,967	6,789,893,194
Capital work-in-progress	14	103,010,383	78,546,638
		6,610,342,350	6,868,439,832
Intangible assets	15	1,439,808	2,042,765
Long term loans and advances	16	15,412,759	20,133,678
Long term deposits	17	41,229,640	3,879,440
		6,668,424,557	6,894,495,715
Current assets			
Stores, spares and loose tools	18	980,005,389	1,191,004,172
Stock in trade	19	737,325,759	500,326,860
Trade debts - unsecured, considered good	20	12,606,242	4,491,829
Short term investments	21	1,363,517,650	23,000,000
Advances, deposits, prepayments and other receivables	22	408,552,627	471,353,236
Cash and bank balances	23	624,157,914	128,205,596
		4,126,165,581	2,318,381,693
		10,794,590,138	9,212,877,408

Chief Executive

Director

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	24	11,297,213,012	9,316,380,873
Cost of goods sold	25	6,936,346,069	6,463,977,256
Gross profit		4,360,866,943	2,852,403,617
Selling and distribution expenses	26	58,400,141	46,242,716
Administrative and general expenses	27	86,423,181	66,714,848
		144,823,322	112,957,564
Operating profit		4,216,043,621	2,739,446,053
Other operating expenses	28	233,753,785	108,164,737
		3,982,289,836	2,631,281,316
Other income	29	36,223,304	30,763,468
		4,018,513,140	2,662,044,784
Finance cost	30	248,972,932	626,060,398
Profit before taxation		3,769,540,208	2,035,984,386
Taxation	31	1,136,907,653	375,473,009
Profit after taxation		2,632,632,555	1,660,511,377
Earnings per share - basic and diluted	32	20.45	12.90

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Profit after taxation		2,632,632,555	1,660,511,377
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Available for sale financial assets			
Surplus /(Deficit) on remeasurement of investments classifed as 'available for sale' to fair value		38,231,807	(13,156,000)
Other comprehensive income for the year - net of taxes		38,231,807	(13,156,000)
Total comprehensive income for the year		2,670,864,362	1,647,355,377

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital	Share premium	Fair value reserve	Hedging reserve	General reserve	Accumulated profit	Total
				Rupees			
Balance as at 30 June 2011	1,287,572,410	49,704,951	15,987,900	(6,283,842)	70,000,000	685,834,718	2,102,816,137
Loss realized on cash flow hedge	-	-	-	6,283,842	-	-	6,283,842
Total comprehensive income for the year	-	-	-	-	-	1,660,511,377	1,660,511,377
Deficit on remeasurement of investments classified as 'available for sale' to fair value	-	-	(13,156,000)	-	-	-	(13,156,000)
Distribution to owners							
Dividend paid	-	-	-	-	-	-	-
Balance as at 30 June 2012	1,287,572,410	49,704,951	2,831,900	-	70,000,000	2,346,346,095	3,756,455,356
Total comprehensive income for the year	-	-	-	-	-	2,632,632,555	2,632,632,555
Surplus on remeasurement of investments classified as 'available for sale' to fair value	-	-	38,231,807	-	-	-	38,231,807
Distribution to owners							
Final Cash dividend @ Rs. 3 per share for the	-						
year ended 30 June 2012	-	-	-	-	-	(386,271,723)	(386,271,723)
Balance as at 30 June 2013	1,287,572,410	49,704,951	41,063,707	-	70,000,000	4,592,706,927	6,041,047,995

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Cash flow from operating activities			
Profit before taxation		3,769,540,208	2,035,984,386
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		373,932,745	347,551,645
Adjustment of property, plant and equipment		500,000	-
Amortization		952,957	825,244
Profit on sale of property, plant and equipment		(1,428,064)	(2,255,644)
Exchange loss /(gain) - net		14,012,115	(14,012,085)
Provision for staff retirement benefits		-	8,684,042
Provision for compensated absences		1,585,244	4,172,196
Profit/mark-up on bank deposits and advances		(26,911,880)	(4,865,351)
Loss realized on winding up of financial derivative instrument		-	61,703,160
Finance cost		248,972,932	564,357,238
		611,616,049	966,160,445
Operating profit before working capital changes		4,381,156,257	3,002,144,831
Changes in working capital			
(Increase) /decrease in current assets			
Stores, spares and loose tools		210,998,783	(326,746,755)
Stock in trade		(236,998,899)	7,200,473
Trade debts		(8,114,413)	8,075,469
Advances, deposits, prepayments and other receivables		34,468,957	58,709,010
(Increase) /decrease in current liabilities			
Trade and other payables		(213,759,950)	173,395,075
		(213,405,522)	(79,366,728)
Cash generated from operations		4,167,750,735	2,922,778,103
Finance cost paid		(334,123,254)	(321,164,701)
Contribution to staff retirement benefit - net		-	(15,414,974)
Compensated absences paid		(504,567)	(678,472)
Income tax paid		(199,194,790)	(96,579,676)
		(533,822,611)	(433,837,823)
Net cash inflow from operating activities		3,633,928,124	2,488,940,280
Cash flow from investing activities			
Fixed capital expenditure		(117,574,039)	(95,478,738)
Sale proceeds of property, plant and equipment		2,316,839	3,729,134
Profit /mark-up on bank deposits		24,700,779	4,865,351
Decrease in long term loans and advances		4,720,919	3,572,376
Purchase of short term investments - net		(902,285,842)	-
Increase in long term deposits		(37,350,200)	-
Decrease in security deposits and retention money		4,452,513	(1,113,676)
Net cash used in investing activities		(1,021,019,031)	(84,425,553)
Cash flow from financing activities			
Repayment of import finance		-	(202,822,355)
(Repayment)/proceeds of export refinance		(100,000,000)	200,000,000
Repayments of long term finances		(692,160,913)	(1,921,920,000)
Repayment of derivative financial instrument		-	(247,193,600)
Dividend paid		(365,299,599)	-
Proceeds from derivative financial instrument		-	54,844,039
Net cash outflow from financing activities		(1,157,460,512)	(2,117,091,916)
Net Increase in cash and cash equivalents		1,455,448,581	287,422,811
Cash and cash equivalents at the beginning of the year		(434,751,873)	(722,174,684)
Cash and cash equivalents at the end of the year	33	1,020,696,708	(434,751,873)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 June 2013

1 Status and nature of the business

Kohat Cement Company Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the production and sale of cement. The registered office is situated at Rawalpindi Road, Kohat, Pakistan.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFAs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 New Standards and amendments to published approved accounting standards that are relevant but not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on the financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments have no impact on the financial statements of the Company.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

Notes to the Financial Statements

For the year ended 30 June 2013

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

- "IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
  The amendments have no impact on financial statements of the Company.

3 Summary of significant accounting policies

3.1 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention, except for revaluation of certain financial instruments at fair value.

3.2 Use of judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Financial Statements

For the year ended 30 June 2013

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

		Note
-	Taxation	3.3
-	Depreciation method, residual values and useful lives of depreciable assets	3.8
-	Amortization method and useful life for intangible asset	3.10
-	Provisions	3.19
-	Contingent liabilities	3.20

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement except in the case of items credited or charged to equity in which case it is included in equity.

3.4 Employee benefits

Defined contribution plan

The Company operates a defined contributory provident fund scheme for all employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10% of basic salary.

Compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit.

3.5 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company derecognizes the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other payables are carried at their amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

b) **Trade and other receivables**

Trade and other receivables are recognized and carried at their amortized cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisation of these receivables, appropriate amount of provision is made.

c) **Off-setting of financial assets and liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.6 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.7 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

3.8 Property, plant and equipment

Property, plant and equipment except land and capital work in progress are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Cost of certain fixed assets consists of historical cost and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment except for items mentioned below is charged by applying reducing balance method.

- building of white cement and new grey cement line is charged by applying straight line method.
- plant and machinery of white and new grey cement line is charged by applying unit of production method.
- power plant building and machinery is charged by applying straight line method.

Depreciation rates are given in note 13.

Depreciation is charged from the month in which assets are put to use upto the month before the disposal of asset.

The depreciation method, assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to profit & loss account as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in profit & loss account.

3.9 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

Notes to the Financial Statements

For the year ended 30 June 2013

3.10 Intangible assets

Costs that are directly associated with identifiable and unique software products controlled by the Company and which will probably generate economic benefits beyond one year are recognized as intangible assets. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are capitalized and added to the original cost of the software.

Computer software costs recognized as intangible assets are amortized using the straight-line method over a period of five years.

Other costs associated with developing and maintaining computer software programs are recognized as an expense as incurred.

3.11 Stores, spares and loose tools

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice plus other charges paid thereon.

3.12 Stock in trade

Stock in trade is valued at lower of weighted average cost and estimated NRV except for goods in transit which are stated at cost.

Cost signifies in relation to:

Raw and packing material	Purchased cost on average basis
Finished goods and work in process	Cost of direct material, labor and proportion of manufacturing overheads.
Stock in transit	Invoice value plus other charges paid thereon

Net realizable value signifies the estimated selling prices in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make a sale.

3.13 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.14 Investments

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values cannot be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed off or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss account. Fair value of quoted investments is their bid price on Karachi Stock Exchange at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment.

Notes to the Financial Statements

For the year ended 30 June 2013

At subsequent reporting dates, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount.

Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent comprises of cash in hand, balances with banks, term deposits receipts and short term running finances. In the balance sheet, short term running finances are included in the current liabilities.

3.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to buyer i.e. on the dispatch of goods to the customers. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

3.17 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Rupees at spot rate. The Company charges all exchange differences to profit and loss account.

3.18 Borrowing costs

Borrowings and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.19 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.20 Contingent liabilities

A contingent liability is disclosed when:

there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company;

there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Notes to the Financial Statements

For the year ended 30 June 2013

3.21 Impairment

Financial assets (including receivables)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor indications that a debtor or issuer will enter bankruptcy. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.22 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which it is approved.

		Note	2013 Rupees	2012 Rupees
4	**Issued, subscribed and paid up capital**			
20,749,585	(2012: 20,749,585) ordinary shares of Rs. 10 each fully paid-up in cash		207,495,850	207,495,850
11,230,000	(2012: 11,230,000) ordinary shares of Rs. 10 each issued against consideration other than cash		112,300,000	112,300,000
96,777,656	(2012: 96,777,656) ordinary shares of Rs. 10 each issued as bonus shares		967,776,560	967,776,560
128,757,241			1,287,572,410	1,287,572,410

34,438 (2012: 34,438) ordinary shares of the Company are held by Tariq Motors (Private) Limited - related party.

Notes to the Financial Statements

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
5	**Reserves**			
	Capital reserves			
	- Share premium	5.1	49,704,951	49,704,951
	- Fair value reserve	5.2	41,063,707	2,831,900
			90,768,658	52,536,851
	Revenue reserves			
	- General reserves		70,000,000	70,000,000
			160,768,658	122,536,851

5.1 This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

5.2 This represents fair value adjustment on revaluation of investment classified as 'available for sale'.

		Note	Markup rate (per annum)	Limit (Rupees in million)	2013 Rupees	2012 Rupees
6	**Long term finances - secured**					
	Redeemable capital - Sukuk Certificates	6.1	Three months KIBOR plus 1.50%	2,500	378,939,087	755,000,000
	Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited	6.2	Three months KIBOR plus 1.80%	1,140	583,900,000	900,000,000
					962,839,087	1,655,000,000
	Less: Current maturity shown under current liabilities				582,539,087	492,300,000
					380,300,000	1,162,700,000

6.1 The facility was obtained for setting up of 6,700 TPD cement line and was re-profiled on 16 December 2011 through revision in agreement effective from 20 June 2011. According to the revised terms, the facility was repayable uptill 20 September 2016 in quarterly installments. The Company in the prior year, by exercising call option as allowed under the amended trust deed, prepaid Rs.900 million on account of principal repayments. Due to these pre-payments, now the outstanding facility shall be repaid by 20 June 2014. As per the terms of re-profiled agreement, mark up amounting to Rs. 665.029 million has been deferred and is repayable in eight quarterly installments commencing 20 September 2014 and ending on 20 June 2016.

The facility is secured by way of first joint pari passu hypothecation/equitable mortgage charge over all present and future fixed assets and immovable properties of the Company to the extent of Rs. 3,334 million (2012: Rs. 3,334 million).

6.2 The facility was obtained for setting up of 6,700 TPD cement line and was re-profiled on 22 February 2011 allowing a grace period of three years, starting from December 2009. As per the revised terms the facility was to be paid uptill 20 June 2016 in 15 quarterly installments commencing 20 December 2012. The Company in the current year has prepaid Rs.200 million (2012:Rs.200 million) which has been adjusted against the outstanding principal liability. Subsequent to the repayments, the facility is now to be repaid in 10 quarterly installments, the last installment of which falls due on 20 December 2015. As per the revised terms markup outstanding as at 20 September 2011 was deferred which was to be repaid uptill 20 June 2016 in quarterly installments commencing 20 December 2011. As at the year end outstanding deferred markup amounts to Rs.223.827 million (2012: Rs.286.827 million) which is repayable in 12 quarterly installments, the last installment of which falls due on 20 June 2016.

The facility is secured by way of first joint pari passu hypothecation/equitable mortgage charge over all present and future fixed assets and immovable properties of the Company to the extent of Rs. 1,520 million (2012: Rs. 1,520 million).

Notes to the Financial Statements

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
7	**Long term security deposits and retention money**			
	Security deposits - interest free			
	From cement dealers	7.1	1,661,100	1,661,100
	From cement transporters	7.2	400,000	400,000
			2,061,100	2,061,100
	Retention money - interest free		168,126,566	163,674,053
	Less: transferred to current liabilities	9.3	(168,126,566)	-
			-	163,674,053
			2,061,100	165,735,153

7.1 These deposits are repayable/ adjustable on the termination of the relationship and are being utilized by the Company in accordance with the terms of the contract.

7.2 These deposits are held for providing guarantee of safe delivery of cement to customers. These are being utilized by the Company in accordance with the terms of the contract.

		Note	2013 Rupees	2012 Rupees
8	**Deferred liabilities**			
	Deferred taxation	8.1	1,255,403,212	334,220,989
	Compensated absences	8.2	6,694,762	5,614,085
	Deferred mark-up payments	10	814,856,112	888,856,112
			2,076,954,086	1,228,691,186
8.1	**Deferred taxation**			
	The liability for deferred taxation comprises of temporary differences relating to:			
	Accelerated tax depreciation		1,255,403,212	1,232,130,719
	Unused tax losses and tax credits		-	(897,909,730)
			1,255,403,212	334,220,989
8.2	**Compensated absences**			
	Balance as at 01 July		5,614,085	2,120,361
	Expense recognized during the year		1,585,244	4,172,196
	Payments made during the year		(504,567)	(678,472)
	Balance as at 30 June		6,694,762	5,614,085

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
9	**Trade and other payables**			
	Trade creditors	9.1	129,584,592	504,783,234
	Contractors' bills payable		8,060,150	14,817,909
	Accrued liabilities		201,270,303	211,659,019
	Advances from cement customers		123,239,333	113,814,036
	Workers' profit participation fund	9.2	199,583,970	107,176,672
	Workers' welfare fund		21,308,747	1,550,405
			683,047,095	953,801,275
	Payable to Government on account of:			
	Income tax deducted at source		226,752	1,754,789
	Sales tax payable		97,579,937	46,983,168
	Federal Excise duty		48,651,200	61,614,500
	Royalty and excise duty		42,569,179	43,134,973
			189,027,068	153,487,430
	Securities and retention money payable	9.3	173,537,719	5,349,185
	Unclaimed dividend		1,660,026	1,660,026
	Dividend payable	9.4	20,972,124	-
	Other payables		54,118,310	32,725,686
			250,288,179	39,734,897
			1,122,362,342	1,147,023,602

9.1 Trade creditors do not include any amount due to related parties (2012: Rs. Nil).

9.2 Workers' profit participation fund

	Note	2013 Rupees	2012 Rupees
Balance as at 01 July		107,176,672	6,620,043
Allocation for the year	28	199,583,970	107,176,672
Interest accrued	30	2,796,871	372,377
		309,557,513	114,169,092
Paid during the year		109,973,543	6,992,420
Balance as at 30 June		199,583,970	107,176,672

9.3 This represents interest free security deposits and retention money received from contractors and are repayable after satisfactory completion of contracts. It includes Rs. 168.127 million (2012: Rs. 158.674 million) equivalent to USD 1,240,000 and Euro 353,300 (2012: USD 1,240,000 and Euro 353,300) retained from invoices of Sinoma Technical Services Co. Ltd. (previously TCDRI), for supply of Grey cement plant. The management has classified the amount as short term in the current year as it expects the matter to be resolved in the next 12 months. (refer to note 22.3).

9.4 The Company has withheld the payment of cash dividend declared for the year ended 30 June 2012, to certain shareholders amounting to Rs. 20,972,124 in pursuance of the order of Honorable High Court, Lahore dated 25 October 2012 and SECP's approval under letter no. EMD/233/380/02-676 dated 23 November 2012 under section 251(2) of the Companies Ordinance 1984.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
10	**Interest and markup accrued**			
	Long term finances- secured		892,094,973	958,655,877
	Deferred mark-up	10.1	(814,856,112)	(888,856,112)
			77,238,861	69,799,765
	Short term borrowings- secured		10,625,461	29,214,877
			87,864,322	99,014,642

10.1 This includes deferred markup amounting to Rs. 665.029 million (2012: Rs. 665.029 million) and Rs. 149.827 million (2012: Rs. 223.827 million) relating to Sukuk certificates (refer to note 6.1) and debt from consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited (refer to note 6.2) respectively.

		Limit (Rupees in million)	Note	2013 Rupees	2012 Rupees
11	**Short term borrowings - secured**				
	Short term running finances	765	11.1	3,461,206	562,957,469
	Export refinances	598	11.2	498,000,000	598,000,000
				501,461,206	1,160,957,469

11.1 These facilities have been obtained from various commercial banks for working capital requirements, under mark-up arrangements having aggregate sanctioned limits amounting to Rs. 765 million (2012: Rs. 765 million). These facilities carry mark-up at the rates ranging from six/three months KIBOR plus 1.75% to 3% (2012: six/three months KIBOR plus 1.75% to 3%) per annum payable quarterly to semi-annually.

11.2 These facilities carry mark-up at SBP rate plus 1% (2012: SBP rate plus 1%) per annum and are for a period of 180 days and can be rolled over for a further period of 180 days.

The aforesaid running and export re-finance facilities are secured by first joint pari passu hypothecation charge of Rs. 1,328.67 million on existing and future current assets of the Company; first joint pari pasu hypothecation charge of Rs. 653.8 million and ranking charge of Rs. 429.67 million on the fixed assets of the Company, equitable mortgage over immovable properties of associated companies to the extent of Rs. 400 million (2012: 400 million) and personal guarantees of some of the Directors of the Company.

12 Contingencies and commitments

12.1 Contingencies

(i) The Engineering Services International (Pakistan) Limited raised a claim of Rs 5.449 million (2012: Rs 5.449 million) against the Company on account of Mechanical Installation/Erection. A counter claim of Rs 1.308 million (2012: Rs 1.308 million) was lodged by the Company. The case is pending with the Senior Civil Judge, Lahore.

(ii) The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the Company, raised a claim of Rs 5.64 million (2012: Rs 5.64 million) against the Company on account of the interim dividend pertaining to the year ended 30 June 1993 declared by the previous Board of Directors. The subsequent Board of Directors rescinded the declaration of interim dividend on various grounds. The matter is pending before Honorable Lahore High Court.

(iii) The existing management of the Company filed a claim before the Secretary Finance, Government of Pakistan for the recovery of Rs. 14.1 million (2012: Rs. 14.1 million) being an interim dividend pertaining to the year ended 30 June 1992 paid by the previous management to the State Cement Corporation of Pakistan (Pvt.) Limited (SCCP) and misuse of plant by the previous management. Later on the Board of Directors rescinded the aforesaid dividend which was approved and confirmed by the members of the Company at their Annual General Meeting. As a consequence, the Company withheld the aforesaid Rs. 14.1 million (2012: Rs. 14.1 million) from the interim dividend payable to the SCCP declared by the Company pertaining to the period ended 31 December 1994 . Intimations have been made to the SCCP and the Securities and Exchange Commission of Pakistan. This amount has been withheld on legal advice obtained from the corporate lawyers. Currently the matter is pending for arbitration with the Secretary of Finance, Government of Pakistan.

Notes to the Financial Statements

For the year ended 30 June 2013

(iv) The Competition Commission of Pakistan (CCP) took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on 28 October 2008 inquiring for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement Manufacturer Association (APCMA) and its member cement manufacturers. The Company has filed Writ Petition in Lahore High Court (LHC), vide its order dated 24 August 2009 LHC allowed the CCP to issue its final order. The CCP accordingly passed an order on 28 August 2009 and imposed a penalty of Rs. 103 million on the Company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

The vires of the Competition Commission of Pakistan, 2007 have been challenged by a number of petitioners and all have been advised by their legal counsel that prima facie the Competition Commission Ordinance, 2007 is ultra vires the Constitution. A large number of grounds have been raised by these petitioners and the matter is currently sub-judice before the Lahore High Court, Sindh High Court and Supreme Court of Pakistan. In all these cases stay orders have been granted by the Courts.

(v) An application was filed by some of the shareholders of the Company including one ex-director of the Company before the Securities and Exchange Commission of Pakistan (the "Commission") praying for investigation into the affairs of the Company. Consequently the Commission issued a show cause notice dated 27 July 2011, to the Company and all its Directors. Responding to the notice, the management strongly denied all the baseless, false and frivolous allegations leveled in the application and further challenged the said notice before the Honorable Lahore High Court, Lahore (LHC). The LHC has granted stay against the proceedings.

During the year, the aforesaid shareholders have also filed a petition before the Honorable Peshawar High Court against the management of the Company under sections 290, 291, 292 read with section 265 of the Companies Ordinance, 1984 which is pending adjudication.

(vi) Peshawar Electric Supply Company (PESCO) charged an amount of Rs. 48.419 million as arrears on account of Fuel Price Adjustment (FPA) in the electricity bills of January 2012 and February 2012 pertaining to the period January 2011 to May 2011. The Company challenged this levy in the Honorable Islamabad High Court. The Court vide its order dated 24 October 2012 decided the case in favor of the Company, and the distributors of electricity are directed to issue amended bills and in case consumers had already paid the bills, excessive amount received will be adjusted accordingly, which has to be reflected in the bills of coming months. However, the honourable Islamabad High Court, in an intra court appeal, has vacated the aforesaid order of the Court. The Company being aggrieved has filed an appeal before the Supreme Court of Pakistan, wherein the Company expects a favourable outcome. Moreover, the Honourable Peshawar High Court has also granted a general stay against charging of FPA in the bills, accordingly PESCO is not charging the FPA.

(vii) The Appellate Tribunal Inland Revenue (ATIR) while disposing of the Company's appeal against the order passed by the Taxation Officer (TO) pertaining to the assessment year 1995-96, set aside the order of TO and the TO while giving effect to the order of ATIR levied additional tax of Rs. 7.8 million under section 89 of the Income Tax Ordinance, 1979. The Commissioner Inland Revenue (Appeals) [CIR(A)] has turned down the appeal filed by the Company against the aforesaid order. However, the management disputes the ATIR as well as CIR (A) decision and has filed a reference application with the Honorable Lahore High Court against the order of ATIR and has also filed appeal with ATIR against order of CIR (A) which are pending adjudication.

(viii) The Additional Commissioner Inland Revenue (ACIR) amended assessment under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax year 2005 to create a demand of Rs. 14.76 million, by making various profit and loss account additions and changing the basis for apportionment of expenses between normal and presumptive tax regime. On appeal by the Company, the Commissioner Inland Revenue (Appeals) [CIR(A)] deleted the demand to the tune of Rs. 14.49 million and upheld the remaining demand of Rs. 0.27 million. The said decision of the CIR(A) has been contested both by the Company and the Inland Revenue Department before the Appellate Tribunal Inland Revenue through cross appeals which are pending adjudication.

(ix) The Deputy Commissioner Inland Revenue (DCIR) has created a demand of Rs. 13.76 million by passing an Ex-parte order under section 221 of the Income Tax Ordinance, 2001 for tax year 2010 which is against the explicit provisions of section 113 of the Income Tax Ordinance, 2001. On rejection of Company's appeal by the Commissioner Inland Revenue (Appeals), the Company has preferred appeal before the Appellate Tribunal Inland Revenue which is pending adjudication.

(x) Additional Commissioner of Inland Revenue (ACIR) while disposing off contravention report of Senior Auditor created a sales tax demand of Rs. 9.183 million along with default surcharge of Rs. 3.719 million on account of alleged inadmissible adjustment of input sales tax of Rs. 9.183 million in contravention of SRO 389(I)/2006 dated 27 April 2006. CIR(A) turned down the appeal filed by the Company against the impugned order against which the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) which was decided in the favour of the Company, However, against the said order the tax department filed an appeal before the Peshawar High Court (PHC). The PHC has remanded the case back to the ATIR which is pending adjudication. However, the Company has deposited the principal amount of Rs. 9.18 million under protest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

(xi) During 2008 the Company imported certain plant and equipment for its new grey cement plant of 6700 TPD clinker capacity and declared the same to the Customs Authorities claiming the concessionary rate of duties and taxes available to the industrial concern under SRO 575(1)2006 dated 05 June, 2006. However, the Customs Department declined the Company's claim and charged standard / normal import duties rates and increased the value of consignment resulting into additional liability of Rs. 68.332 million which constitutes of Rs. 32.095 million customs duty, Rs. 25.931 million sales tax, Rs. 9.419 million income tax and Rs. 0.887 million special excise duty.
The Company disputing the department's contention filed a writ petition before the Honorable Sindh High Court at Karachi against the impugned act of the Customs Department. The matter is pending adjudication with the Court. However, the Honorable Sindh High Court ordered to release the goods on submission of bank guarantee valuing Rs. 68.332 million being the value of additional liability. Accordingly the Customs Authorities released the goods on submission of bank guarantee by the Company.

During the year 2011, the aforesaid bank guarantee has been encashed on the order of the Honorable Sindh High Court. Out of the total payment of Rs. 68.332 million the Company has adjusted Rs. 35.35 million against the Company's tax liabilities in accordance with the provisions of relevant tax laws.

(xii) The tax department, after conducting sales tax and federal excise duty audit of the Company for the tax year 2009 passed an order dated 23 April 2012 disallowing zero rating on exports and input tax claims, levying additional tax and penalty amounting to Rs. 12.716 million and Rs.14.022 million under the provisions of Sales Tax and Federal Excise Laws respectively. The Company filed appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] along with a writ petition before the honorable Lahore High Court (LHC) against the above said order. Both of the above litigations have been decided in favour of the Company. However, the appellate decision of the CIR(A) has been assailed by the Department before the honorable Appellate Tribunal Inland Revenue, which is pending adjudication. However, before the aforesaid appellate decisions in favour of the Company, the Company deposited an amount of Rs. 14.799 million under the Amnesty Scheme announced vide SRO 548(I)/2012 dated 22-May-2012 which has now been adjusted against the tax liability for the current year.

(xiii) The Additional Commissioner Inland Revenue (ACIR) amended the assessment U/S 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2007 to create a demand of Rs. 33.6 million after making various profit and loss additions to the income of the Company and changing the basis of apportionment of expenses between normal and export sales. The treatment meted out by the ACIR has been challenged by the Company through filing of appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)], which is pending adjudication. However, subsequent to the year end, the CIR(A) has granted a stay to the Company against recovery of the above demand.

(xiv) The Deputy Commissioner Inland Revenue (DCIR) passed an ex-parte order for the tax year 2007 on alleged non deduction of withholding tax on payments made by the Company and created a tax demand of Rs. 67.026 million under section 161 and 205 of the Income Tax Ordinance, 2001. The order was impugned by the Company before the Commissioner Inland Revenue (Appeals) [CIR(A)] who deleted the entire levy of Rs. 67 million against which the Department has filed an appeal before the ATIR, which is pending adjudication.

(xv) The Taxation Officer amended the assessment for the tax year 2003 by reclassifying certain income between the heads of income from business and income from other sources and disallowing expenses arising on disposal of obsolete stores and spares resulting into creation of tax demand of Rs. 10.2 million under section 122(1) and 177 of the Income Tax Ordinance, 2001 . The amendment in assessment was subsequently cancelled by CIR(A) on appeal by the Company. The said cancellation was challenged by the Department before the Appellate Tribunal Inland Revenue (ATIR). The ATIR, set aside the case to CIR(A) to adjudicate the case based upon facts. CIR(A) allowed relief while accepting the Company's stance on disposal of obsolete stores and spares by deleting levy of Rs. 10.2 million whereas upholding the classification of income between income from business and other sources. The treatment meted out by the CIR(A) is assailed by the Company as well as the Department through cross appeals before the ATIR.

Based on the opinion of the Company's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision is being recognised in respect of these in the financial statements.

(xiv) Guarantees issued by Commercial Banks on behalf of the Company are of Rs. 118.730 million (2012: Rs. 118.730 million) in favor of Sui Northern Gas Pipelines Limited (SNGPL) in accordance with the terms of agreement between the Company and SNGPL and Rs. 1.68 million (2012: Rs. 1.68 million) in favor of government institutions for supply of cement.

		Note	2013 Rupees	2012 Rupees
12.2	**Commitments**			
	In respect of of letters of credit for:			
	Capital expenditure		120,021,610	-
	Other than capital expenditure		122,370,775	51,376,410
			242,392,385	51,376,410

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

13 Property, plant and equipment

13.1 Reconciliation of net book value

	Cost					Depreciation						
	Cost as at 30 June 2012	Additions	Transfers / Adjustments	Disposals	Cost as at 30 June 2013	Accumulated depreciation as at 30 June 2012	Depreciation charge	Disposal	Transfers / Adjustments	Accumulated depreciation as at 30 June 2013	Net book value as at 30 June 2013	Depreciation rate (per annum)
	Rupees					Rupees						
Owned												
Freehold land	35,171,158	7,338,200	-	-	42,509,358	-	-	-	-	-	42,509,358	-
Factory building	2,753,704,510	-	(500,000)	-	2,753,204,510	591,696,630	120,344,417	-	(44,609)	711,996,438	2,041,208,072	4% - 5%
Office and other building	42,167,529	-	-	-	42,167,529	14,996,801	1,358,536	-	-	16,355,337	25,812,192	5%
Housing colony	48,108,904	-	-	-	48,108,904	29,357,688	937,561	-	-	30,295,249	17,813,655	5%
Plant, machinery and equipment	6,130,481,073	46,637,717	-	-	6,177,118,790	1,676,654,195	235,189,048	-	-	1,911,843,243	4,265,275,547	4% - 5% / units of production
Storage tanks and pipelines	30,148,252	-	-	-	30,148,252	18,014,403	1,213,385	-	-	19,227,788	10,920,464	10%
Power installations	96,782,524	-	-	-	96,782,524	82,451,137	1,433,139	-	-	83,884,276	12,898,248	10%
Furniture, fixtures and other office equipment	39,839,607	1,828,882	-	-	41,668,489	21,250,780	1,996,568	-	-	23,247,348	18,421,141	10%
Computer and printers	17,456,601	2,271,409	-	(151,225)	19,576,785	10,905,959	2,330,374	(56,476)	-	13,179,857	6,396,928	30%
Weighing scale	5,840,015	16,500	-	-	5,856,515	2,631,494	321,952	-	-	2,953,446	2,903,069	10%
Light vehicles	65,958,166	11,772,700	-	(3,138,682)	74,592,184	42,227,088	5,575,858	(2,446,723)	-	45,356,223	29,235,961	20%
Heavy vehicles	60,627,088	-	-	(7,838,208)	52,788,880	55,341,281	1,036,749	(7,736,141)	-	48,641,889	4,146,991	20%
Railway sidings	9,853,476	-	-	-	9,853,476	7,617,851	111,781	-	-	7,729,632	2,123,844	5%
Laboratory equipments	25,395,524	22,894,886	-	-	48,290,410	18,508,907	2,126,689	-	-	20,635,596	27,654,814	10%
Library books	94,217	-	-	-	94,217	81,236	1,298	-	-	82,534	11,683	10%
2013	9,361,628,644	92,760,294	(500,000)	(11,128,115)	9,442,760,823	2,571,735,450	373,977,355	(10,239,340)	(44,609)	2,935,428,856	6,507,331,967	

	Cost					Depreciation						
	Cost as at 30 June 2011	Additions	Transfers / Adjustments	Disposals	Cost as at 30 June 2012	Accumulated depreciation as at 30 June 2011	Depreciation charge	Disposal	Transfers / Adjustments	Accumulated depreciation as at 30 June 2012	Net book value as at 30 June 2012	Depreciation rate (per annum)
	Rupees					Rupees						
Owned												
Freehold land	35,171,158	-	-	-	35,171,158	-	-	-	-	-	35,171,158	-
Factory building	2,758,360,923	-	(4,656,413)	-	2,753,704,510	470,926,638	121,222,238	-	(452,246)	591,696,630	2,162,007,880	4% - 5%
Office and other building	42,167,529	-	-	-	42,167,529	13,566,763	1,430,038	-	-	14,996,801	27,170,728	5%
Housing colony	48,108,904	-	-	-	48,108,904	28,370,782	986,906	-	-	29,357,688	18,751,216	5%
Plant, machinery and equipment	6,141,894,605	8,225,755	(15,667,287)	(3,972,000)	6,130,481,073	1,472,738,006	209,142,774	(3,245,517)	(1,981,068)	1,676,654,195	4,453,826,878	4% - 5% / units of production
Storage tanks and pipelines	30,148,252	-	-	-	30,148,252	16,666,197	1,348,206	-	-	18,014,403	12,133,849	10%
Power installations	96,782,524	-	-	-	96,782,524	80,858,761	1,592,376	-	-	82,451,137	14,331,387	10%
Furniture, fixtures and other office equipment	37,877,954	1,979,003	-	(17,350)	39,839,607	19,264,199	1,998,858	(12,277)	-	21,250,780	18,588,827	10%
Computer and printers	14,297,770	3,158,831	-	-	17,456,601	8,821,253	2,084,706	-	-	10,905,959	6,550,642	30%
Weighing scale	5,789,015	51,000	-	-	5,840,015	2,276,399	355,095	-	-	2,631,494	3,208,521	10%
Light vehicles	65,904,866	1,955,800	-	(1,902,500)	65,958,166	38,270,088	5,637,612	(1,680,612)	-	42,227,088	23,731,078	20%
Heavy vehicles	62,783,088	-	-	(2,156,000)	60,627,088	55,551,773	1,425,462	(1,635,954)	-	55,341,281	5,285,807	20%
Railway sidings	9,853,476	-	-	-	9,853,476	7,500,187	117,664	-	-	7,617,851	2,235,625	5%
Laboratory equipments	24,345,860	1,049,664	-	-	25,395,524	17,848,393	660,514	-	-	18,508,907	6,886,617	10%
Library books	94,217	-	-	-	94,217	79,794	1,442	-	-	81,236	12,981	10%
2012	9,373,580,141	16,420,053	(20,323,700)	(8,047,850)	9,361,628,644	2,232,739,233	348,003,891	(6,574,360)	(2,433,314)	2,571,735,450	6,789,893,194	

Notes to the Financial Statements

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
13.2	**Depreciation charge for the year has been allocated as follows:**			
	Cost of goods sold	25	371,703,744	345,020,157
	Selling and distribution expenses	26	542,935	691,604
	Administrative and general expenses	27	1,686,066	1,839,884
			373,932,745	347,551,645

13.3 Disposal of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss) on disposal	Mode of disposal	Particulars of Purchaser
	Rupees						
Light Vehicles							
Honda City LEH- 9564	843,575	569,072	274,503	374,300	99,797	Company policy	Mr. Khurram Shahzad
Suzuki Liana B-5123	798,107	538,218	259,889	354,125	94,236	Company policy	Mr. Musaid Qureshi
Changan Carry Van KTB-4024	426,000	345,347	80,653	134,000	53,347	Negotiation	Mr. Sheraz Tabasam
Changan Double Cabin Van KTB-4025	371,000	300,760	70,240	134,000	63,760	Negotiation	Mr. Sheraz Tabasam
Heavy Vehicles							
Crawler Drill-1	4,683,643	4,628,951	54,692	543,445	488,753	Negotiation	Pir & Co
Assets with book value of less than Rs. 50,000	4,005,790	3,856,992	148,798	776,969	628,171	Negotiation	Various
2013	11,128,115	10,239,340	888,775	2,316,839	1,428,064		
2012	8,047,850	6,574,359	1,473,491	3,729,134	2,255,643		

		Note	2013 Rupees	2012 Rupees
14	**Capital work-in-progress**			
	Plant, machinery and equipment		103,010,383	78,546,638
			103,010,383	78,546,638
15	**Intangible assets**			
	Cost	15.1	4,852,284	4,502,284
	Less: Accumulated amortization	15.2	(3,412,476)	(2,459,519)
			1,439,808	2,042,765
15.1	**Cost**			
	Balance as at 01 July		4,502,284	3,990,238
	Add: Additions during the year		350,000	512,046
	Balance as at 30 June		4,852,284	4,502,284
15.2	**Accumulated amortization**			
	Balance as at 01 July		2,459,519	1,634,275
	Add: Amortization for the year		952,957	825,244
	Balance as at 30 June		3,412,476	2,459,519

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

15.3 The intangible assets represent Enterprise Resource Planning (ERP) and Computer software. These are being amortized at 20% (2012: 20%) per annum.

		Note	2013 Rupees	2012 Rupees
16	Long term loans and advances			
	Loans to employees - secured, considered good	16.1	1,975,063	1,700,396
	Less: Receivable within one year	22.1	(662,304)	(366,718)
			1,312,759	1,333,678
	Loan to Sui Northern Gas Pipelines Limited (SNGPL)	16.2	18,800,000	23,500,000
	Less: Receivable within one year	22	(4,700,000)	(4,700,000)
			14,100,000	18,800,000
			15,412,759	20,133,678

16.1 Reconciliation of the carrying amount of loans and advances to employees:

	2013	2012
Balance as at 01 July	1,700,396	635,808
Disbursements during the year	810,024	1,686,208
Recovered during the year	(535,357)	(621,620)
Balance as at 30 June	1,975,063	1,700,396

These loans carry mark up at the rate ranging from 5% to 9% (2012: 5 to 10%) per annum. These are secured against lien on retirement benefits and are repayable in 60 equal monthly installments. Chief Executive and Directors have not taken any loan/ advance from the Company (2012 : Nil). However, loans to Executives amount to Rs. 0.911million (2012 Rs. 0.953 million).

16.2 This represents loan given to SNGPL for the development of the infrastructure for supply of natural gas to the Company. Mark up is charged at the rate of 1.5% (2012: 1.5%) per annum and is received annually. This amount is now receivable in 4 annual installments of Rs. 4.7 million each ending in March 2017.

17 Long term deposits

These mainly include security deposits with utility companies.

		Note	2013 Rupees	2012 Rupees
18	Stores, spares and loose tools			
	Stores	18.1	551,626,478	869,528,645
	Spares		422,080,088	317,799,823
	Loose tools		6,298,823	3,675,704
			980,005,389	1,191,004,172

18.1 These includes stores in transit valuing Rs. 307.91 million (2012: Rs.632.59 million)

18.2 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

Notes to the Financial Statements

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
19	**Stock in trade**			
	Raw materials		20,598,420	15,898,892
	Work in process		497,146,264	387,191,896
	Finished goods		147,072,009	31,499,616
	Packing material		72,509,066	65,736,456
			737,325,759	500,326,860
20	**Trade debts**			
	Unsecured - Considered good	20.1	12,606,242	4,491,829
			12,606,242	4,491,829

20.1 No amount is receivable from related parties during the current year (2012: Nil).

		Note	2013 Rupees	2012 Rupees
21	**Short term investments**			
	Available-for-sale			
	Gharibwal Cement Limited			
	4,600,000 (2012: 4,600,000) fully paid ordinary shares of Rs 10 each		20,168,100	20,168,100
	Market value Rs. 50.37 million (2012: Rs. 23 million)			
	Add: Surplus on revaluation of investment to fair value		30,201,900	2,831,900
			50,370,000	23,000,000
	Investments in Money Market Mutual funds	21.1	913,147,650	-
	Loans and receivables			
	Investment in term deposit receipts	21.2	400,000,000	-
			1,363,517,650	23,000,000

21.1 These represent investments in listed open end money market mutual funds, the details of which are as under:

	2013 Number of units	2012 Number of units	2013 Rupees	2012 Rupees
ABL Cash Fund	20,233,945	-	202,495,246	-
Askari Sovereign Cash Funds	1,002,824	-	100,840,771	-
Faysal Money Market Fund	995,166	-	101,705,937	-
MCB Cash Management Optimizer	1,767,851	-	178,606,535	-
NAFA Money Market Fund	17,836,232	-	178,631,648	-
PICIC Cash Fund	502,976	-	50,471,813	-
UBL Liquidity Plus Fund	1,003,194	-	100,395,700	-
			913,147,650	-

21.2 These represent investments in fixed deposit schemes of commercial banks with maturity of less than three months. These carry interest rates @ 8% - 8.95% per annum.

Notes to the Financial Statements

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
22 Advances, deposits, prepayments and other receivables			
Advances - unsecured, considered good			
- to employees	22.1	2,162,868	2,496,281
- to suppliers		21,829,209	28,541,118
- to contractors		2,034,954	62,898
		26,027,031	31,100,297
Advance income tax		48,671,249	50,777,386
Sales tax, federal excise duty and custom duty paid under protest	22.2	41,277,678	56,076,528
Letters of credit in process		4,227,408	5,346,880
Letter of credit/guarantee margin		50,691,048	55,624,642
Prepayments		634,744	579,340
Security deposits		7,354,854	44,375,634
Other advances and receivables	22.3	169,441,575	177,561,629
Advance payment to employees Provident Fund Trust		1,907,651	-
Accrued interest on bank deposits		2,211,100	-
Current portion of loan given to SNGPL	16	4,700,000	4,700,000
Duty drawback claims receivable on export sales		51,408,289	45,210,900
		408,552,627	471,353,236

22.1 Advances to Company's employees

	Note	2013 Rupees	2012 Rupees
Current maturity of long term loans to employees	16	662,304	366,718
Others	22.1.1	1,500,564	2,129,563
		2,162,868	2,496,281

22.1.1 This includes advances given to Executives, Directors and Chief Executive of the Company amounting to Rs. Nil (2012: Rs. Nil)

22.2 These represent sales tax, federal excise duty and custom duty paid to the relevant departments under protest, as referred to in notes 12.1(x) and 12.1(xi).

22.3 This includes an amount of Rs. 168.127 million (2012: Rs. 172.686 million) equivalent to USD 2,682,270 (2012: USD 2,682,270) receivable on account of notice of encashment of unconditional and irrevocable Performance Bank Guarantees issued by foreign / local bank on behalf of the foreign supplier of plant and equipment of 6700 TPD cement plant (the aforesaid amount is net off Rs.79.447 million (2012: Rs. 79.447 million) being provision for doubtful receivables). The said guarantee had been called by the Company for encashment, as the foreign supplier could not complete the project within the time period stipulated in the Plant Supply Contract and accordingly, cost of related plant and equipment has been reduced by the said amount. The Company also withheld retention money of Rs. 168.127 million (2012: Rs. 158.674 million) of supplier till the resolution of this matter as referred in note 9.3.

Notes to the Financial Statements

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
23	**Cash and bank balances**			
	Cash in hand		467,674	649,010
	Cash at bank			
	- Current accounts		145,394,461	45,545,542
	- Saving accounts	23.1	478,295,779	82,011,044
			623,690,240	127,556,586
			624,157,914	128,205,596

23.1 These carry mark-up @ 5% to 8 % (2012: 5%) per annum.

		Note	2013 Rupees	2012 Rupees
24	**Sales - net**			
	Local sales - gross		11,704,810,311	10,179,765,398
	Less: Sales tax		1,631,895,898	1,404,668,803
	Federal excise duty		596,876,002	700,713,930
			2,228,771,900	2,105,382,733
			9,476,038,411	8,074,382,665
	Export sales		1,927,119,128	1,371,390,767
			11,403,157,539	9,445,773,432
	Less: Rebate/ commission on cement sales		(105,944,527)	(129,392,559)
			11,297,213,012	9,316,380,873
25	**Cost of goods sold**			
	Raw materials consumed		503,798,275	438,689,669
	Packing materials consumed	25.1	657,626,452	578,550,554
	Power and fuel		1,619,813,182	1,339,112,641
	Coal, gas and furnace oil		3,393,131,783	3,294,091,669
	Coal unloading and feeding charges		3,825,270	3,630,055
	Stores and spares consumed		229,122,002	190,471,623
	Salaries, wages and other benefits	25.2	153,818,204	128,738,451
	Royalty and excise duty		89,164,977	77,422,290
	Rent, rates and taxes		21,344,345	15,741,452
	Repairs and maintenance		55,992,867	51,706,961
	Insurance		14,778,577	13,493,955
	Depreciation	13.2	371,703,744	345,020,157
	Other expenses		48,249,862	39,034,072
			7,162,369,540	6,515,703,549
	Opening work-in-process		387,191,896	315,358,799
	Less: Closing work-in-process		(497,146,264)	(387,191,896)
	Cost of goods manufactured		7,052,415,172	6,443,870,452
	Opening stock of finished goods		31,499,616	51,815,710
			7,083,914,788	6,495,686,162
	Closing stock of finished goods		(147,072,009)	(31,499,616)
			6,936,842,779	6,464,186,546
	Less: Cost attributable to own cement consumption		(496,710)	(209,290)
			6,936,346,069	6,463,977,256

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

25.1 This amount is exclusive of duty draw back on exports of Rs. 9.777 million (2012: Rs. 8.632 million).

25.2 Salaries, wages and other benefits include Rs. 3.54 million (2012: Rs. 2.705 million) in respect of provident fund contribution.

		Note	2013 Rupees	2012 Rupees
26	**Selling and distribution expenses**			
	Salaries, wages and other benefits	26.1	23,591,834	18,804,332
	Vehicle running		1,982,950	1,678,940
	Travelling and conveyance		1,807,860	1,650,384
	Printing and stationery		1,045,936	962,565
	Postage, telephone and telegrams		916,671	946,850
	Entertainment		1,140,906	822,839
	Rent, rates and taxes		2,778,456	783,663
	Electricity, water and gas		290,885	268,351
	Sales promotion		5,366,283	3,211,807
	Depreciation	13.2	542,935	691,604
	Cement loading charges		18,186,121	14,035,957
	Freight and handling charges on exports		267,800	2,066,710
	Miscellaneous		481,504	318,714
			58,400,141	46,242,716

26.1 Salaries, wages and other benefits include Rs. 0.576 million (2012: Rs. 0.481 million) in respect of provident fund contribution.

		Note	2013 Rupees	2012 Rupees
27	**Administrative and general expenses**			
	Salaries, wages and other benefits	27.1	45,984,842	34,823,858
	Vehicle running		516,384	505,278
	Traveling and conveyance		836,663	772,654
	Printing and stationery		2,748,813	1,828,635
	Legal and professional	27.2	10,430,389	6,736,052
	Postage, telephone and telegrams		2,220,748	1,540,075
	Repairs and maintenance		11,650,171	8,826,994
	Rent, rates and taxes		1,173,219	2,015,456
	Electricity, water and gas		3,797,580	3,361,919
	Entertainment		2,122,992	1,800,205
	Auditor's remuneration	27.3	1,145,000	710,000
	Depreciation	13.2	1,686,066	1,839,884
	Amortization		952,957	825,244
	Advertisement		400,136	193,235
	Miscellaneous		757,221	935,359
			86,423,181	66,714,848

27.1 Salaries, wages and other benefits include Rs. 1.045 million (2012: Rs. 0.913 million) in respect of provident fund contribution.

27.2 Legal and professional charges include remuneration to cost auditor amounting to Rs.0.09 million (2012: Rs. 0.060 million).

Notes to the Financial Statements

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
27.3	**Auditor's remuneration**			
	Statutory audit		1,000,000	550,000
	Half year review		100,000	115,000
	Others		45,000	-
	Out of pocket expenses		-	45,000
			1,145,000	710,000
28	**Other operating expenses**			
	Donations	28.1	399,358	988,065
	Exchange fluctuation loss-net		14,012,115	-
	Workers' profit participation fund		199,583,970	107,176,672
	Worker's Welfare Fund		19,758,342	-
			233,753,785	108,164,737

28.1 None of the Directors of the Company or any of their spouse have any interest in donee's fund.

		Note	2013 Rupees	2012 Rupees
29	**Other income**			
	Income from financial assets			
	Profit/mark-up on bank deposits		26,911,880	4,865,351
	Profit/mark-up on SNGPL Loan		334,922	406,582
	Gain on investment in mutual fund		3,469,490	-
	Income from non-financial assets			
	Income from sale of scrap		1,282,552	1,513,389
	Gain on disposal of property, plant and equipment		1,428,063	2,255,644
	Exchange fluctuation gain - net		-	14,012,085
	Insurance claim		215,000	1,499,841
	Bad debt recovered		1,750,000	5,750,000
	Miscellaneous		831,397	460,576
			36,223,304	30,763,468
30	**Finance cost**			
	Interest/mark-up on:			
	Short term borrowings	30.1	67,803,157	139,605,192
	Long term finances		163,767,834	412,018,738
	Workers' profit participation fund		2,796,871	372,377
	Default surcharge on FED and sales tax liability		169,738	628,051
	Loss on winding up of financial derivative instrument		-	61,703,160
	Bank charges, commission and others		14,435,332	11,732,880
			248,972,932	626,060,398

30.1 Finance cost amounting to Rs. 4.1 million (2012: Rs. Nil) has been capitalized during the year using weighted average capitalization rate of 10.73% (2012: nil) per annum.

Notes to the Financial Statements
For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
31 Taxation			
For the year			
Current	31.1	358,242,408	94,492,844
Deferred		921,182,223	233,371,768
Prior Year			
Current		(142,516,978)	-
Deferred		-	47,608,397
		1,136,907,653	375,473,009

31.1 Current

The provision for current taxation for the current year is charged at normal tax rate of 35% of taxable income whereas tax provision for the previous year has been charged at minimum tax rate of 1% of turnover under section 113 of the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports which is full and final discharge of Company's tax liability in respect of income arising from such source.

	Note	2013 Rupees	2012 Rupees
31.1.1 Relationship between tax expense and accounting profit			
Profit before taxation	31.1.2	3,769,540,208	2,035,984,386
Tax calculated at the rate of 35%		1,319,339,073	-
Effect of Final Tax Regime		(210,283,347)	-
Prior years' tax effect		14,153,520	-
Others		13,698,407	-
		1,136,907,653	-

31.1.2 During the previous year 2012, the Company paid minimum tax under section 113 of the Income Tax Ordinance 2001 therefore numerical tax reconciliation is not provided.

		2013	2012
32 Earnings per share - basic and diluted			
32.1 Earnings per share - Basic			
Earnings for the year after taxation	Rupees	2,632,632,555	1,660,511,377
Weighted average number of ordinary shares in issue during the year	Numbers	128,757,241	128,757,241
Earnings per share - basic	Rupees	20.45	12.90

32.2 Earnings per share - Diluted

There is no dilution effect on the basic earnings per share as the Company does not have any convertible instruments in issue as at 30 June 2013 and 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
33	**Cash and cash equivalents**			
	Cash and bank balances	23	624,157,914	128,205,596
	Term deposits receipts		400,000,000	-
	Short term running finances	11	(3,461,206)	(562,957,469)
			1,020,696,708	(434,751,873)

34 Operating segments

The financial information has been prepared on the basis of a single reportable segment.

34.1 Sale from grey cement, white cement and clinker represents 99.1% , 0.9% and 0% (2012: 99.1%, 0.84% and 0.04%) of total revenue of the Company respectively.

34.2 The net sales percentage by geographic region is as follows:

	2013 %	2012 %
Pakistan	84	83.64
Afghanistan	16	16.30
Others	-	0.06
	100	100

34.3 All assets of the Company as at 30 June 2013 are located in Pakistan.

35 Financial instruments

The Company has exposure to the following risks from its use of financial instruments.:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors have the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and advance, deposits, other receivables, short term investments and bank balances. Out of the total financial assets of Rs.2,293.942 million (2012: Rs. 451.559 million) financial assets which are subject to credit risk amount to Rs. 2,293.48 million (2012: Rs.450.909 million).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a maximum credit period of 30 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Notes to the Financial Statements

For the year ended 30 June 2013

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	Note	2013 Rupees	2012 Rupees
Long term loans and advances		15,412,759	20,133,678
Long term deposits		41,229,640	3,879,440
Trade debts - unsecured considered good		12,606,242	4,491,829
Advances, deposits and other receivables		237,023,469	271,848,163
Short term investments		1,363,517,650	23,000,000
Bank balances		623,690,240	127,556,586
		2,293,480,000	450,909,696
The trade debts as at the balance sheet date are classified as follows:			
Foreign		-	1,262,619
Domestic		12,606,242	3,229,210
		12,606,242	4,491,829
The aging of trade receivables at the reporting date is:			
Past due 1 - 3 Months		4,714,415	2,556,839
Past due 4 - 6 Months		6,466,845	338,349
Past due 7 - 10 Months		-	773,454
Past due 11 - 12 Months		-	-
Past due above one year		1,424,982	823,186
		12,606,242	4,491,828

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

The credit quality of cash and bank balances and short term investments that are neither past due nor impaired can be assessed by reference to external credit/stability ratings or to historical information about counterparty default rate:

	Credit Rating		Rating
	Short term	Long term	Agency
Allied Bank	A1+	AA +	PACRA
Askari Bank Limited	A1+	AA	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
The Bank of Khyber	A-1	A	JCR-VIS
The Bank of Punjab	A1+	AA-	PACRA
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA
United Bank Limited	A-1+	AA+	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS

Notes to the Financial Statements
For the year ended 30 June 2013

	Fund Rating	Rating Agency
Mutual funds:		
ABL Cash Fund	AA(f)	JCR-VIS
Askari Sovereign Cash Funds	AAA	PACRA
Faysal Money Market Fund	AA(f)	JCR
MCB Cash Management Optimizer	AA(f)	PACRA
NAFA Money Market Fund	AA(f)	PACRA
PICIC Cash Fund	AA+(f)	JCR
UBL Liquidity Plus Fund	AA+(f)	JCR

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company, for this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

The following are the contractual maturities of financial liabilities as at June 30, 2013:

	Carrying amount	Contractual cash flows	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Five years and onwards
	Rupees					
Non derivative financial liabilities						
Long term finances - secured	962,839,087	1,082,857,486	356,927,715	305,873,411	420,056,360	-
Long term security deposits and retention money	2,061,100	2,061,100	-	-	2,061,100	-
Trade and other payables	797,852,706	797,852,706	797,852,706	-	-	-
Mark up payable	902,720,434	902,720,434	50,864,322	37,000,000	814,856,112	-
Short term borrowings	501,461,206	501,461,206	501,461,206	-	-	-
2012-2013	3,166,934,533	3,286,952,932	1,707,105,949	342,873,411	1,236,973,572	-

	Carrying amount	Contractual cash flows	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Five years and onwards
	Rupees					
Non derivative financial liabilities						
Long term finances - secured	1,655,000,000	1,942,007,597	286,566,304	341,686,191	1,313,755,102	-
Security deposits and retention money	171,084,338	171,084,338	-	5,349,185	165,735,153	-
Trade and other payables	797,852,706	797,852,706	797,852,706	-	-	-
Mark up payable	987,870,754	987,870,754	62,014,642	37,000,000	888,856,112	-
Short term borrowings	1,160,957,469	1,160,957,469	1,160,957,469	-	-	-
2011-2012	4,772,765,267	5,059,772,864	2,307,391,121	384,035,376	2,368,346,367	-

Notes to the Financial Statements

For the year ended 30 June 2013

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency primarily U.S. Dollars (USD). The Company uses forward exchange and derivative contracts to hedge its major currency risks. The Company's exposure to foreign currency risk is as follows:

	2013 Rupees	2012 Rupees
USD		
Foreign debtors	-	(1,262,619)
Compensation receivable from Sinoma(previously TCDRI)	(168,126,566)	(172,686,167)
Foreign creditors	2,317,295	374,513,400
Long term retention money payable to Sinoma	121,512,003	116,808,003
Outstanding import letters of credit	209,437,838	16,517,028
Net exposure	165,140,570	333,889,645
Euro		
Long term retention money	46,614,563	41,866,050
Outstanding import letters of credit	32,954,547	34,859,382
Net exposure	79,569,110	76,725,432

The following significant exchange rates have been applied:

	Reporting date rate 2013	Reporting date rate 2012
USD to PKR - Buy	98.60	94.20
USD to PKR - Sell	98.80	94.00
Euro to PKR- Buy	128.85	118.50
Euro to PKR- Sell	129.11	118.25

	Average rate 2013	Average rate 2012
USD to PKR	97.56	90.53
Euro to PKR	126.25	118.52

Sensitivity analysis:

At reporting date, if the PKR had strengthened by rupee one against the US Dollar and Euro with all other variables held constant, post-tax profit for the year would have been increased/ (decreased) by Rs. 2.284 million (2012: Rs. 4.192 million).

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

Notes to the Financial Statements

For the year ended 30 June 2013

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2013	2012	2013	2012
	Effective rate (in percentage)		Carrying amount	
Financial assets				
Fixed rate instruments				
Term deposit receipts	8.90%	-	400,000,000	-
Loan to SNGPL	1.50%	-	18,800,000	23,500,000

	2013	2012	2013	2012
	Effective rate (in percentage)		Carrying amount	
Financial liabilities				
Variable rate instruments				
Long term finances - PKR	11.13%	14.36%	962,839,087	1,655,000,000
Short term borrowings - PKR	10.92%	13.26%	501,461,206	1,160,957,469

Cash flow sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates will have an impact on income of Rs. 14.643 million (2012: Rs. 28.16 million) worked out on the outstanding debt amount at the reporting date. This analysis assumes that all other variables remain constant.
The sensitivity analysis prepared is not necessarily indicative of the effects on current/prior year's loss and assets / liabilities of the Company.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 5% increase / decrease in redemption and share prices at year end would have decreased / increased the Company's surplus on re-measurement of 'available for sale' investments as follows.

	2013 Rupees	2012 Rupees
Effect on equity	48,175,883	1,150,000

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / equity and assets of the Group.

Notes to the Financial Statements

For the year ended 30 June 2013

35.4 Fair value of financial instruments

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

Investment in mutual funds and ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

35.5 Financial instruments by categories

Financial assets as per balance sheet

	Available for sale	
	2013 Rupees	2012 Rupees
Short term investments	963,517,650	23,000,000

	Loans and receivables	
	2013 Rupees	2012 Rupees
Long term deposits	41,229,640	3,879,440
Long term loans and advances	15,412,759	20,133,678
Trade debts	12,606,242	4,491,829
Advances, deposits, prepayments and other receivables		
- Advances to employees	2,162,868	2,496,281
- Advances to suppliers	21,829,209	28,541,118
- Advances to contractors	2,034,954	62,898
- Others receivables	291,941,925	332,819,685
Short term investments	400,000,000	-
Cash and bank balances	624,157,914	128,205,596
	1,411,375,511	520,630,525

Financial liabilities as per balance sheet

	Financial liabilities at amortized cost	
	2013 Rupees	2012 Rupees
Long term loans - secured	962,839,087	1,655,000,000
Long term security deposits and retention money	2,061,100	165,735,153
Deferred markup	814,856,112	888,856,112
Trade and other payables	797,852,706	803,201,891
Accrued markup	87,864,322	99,014,642
Short term borrowings - secured	501,461,206	1,160,957,469
	3,166,934,533	4,772,765,267

Notes to the Financial Statements

For the year ended 30 June 2013

35.6 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 June 2013 and at 30 June 2012 were as follows:

		2013	2012
Total debt	Rupees	1,464,300,293	2,815,957,469
Total equity and debt	Rupees	7,505,348,288	6,572,412,825
Debt-to-equity ratio		20%	43%

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

36 Remuneration of Chief Executive, Directors and Executives

36.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Director and Executives of the Company is as follows:

	2013			
	Chief Executive	Non-Executive Director	Executive Director	Executives
	Rupees			
Short term employee benefits				
Managerial remuneration	9,660,000	-	13,800,000	19,269,146
Bonus	1,225,000	-	1,750,000	2,097,340
Fees	-	2,021,600	-	-
Medical expenses reimbursed	1,545,210	-	-	-
	12,430,210	2,021,600	15,550,000	21,366,486
Post employment benefits				
Contribution to provident fund	334,425	-	477,750	607,188
Contribution to gratuity	-	-	-	-
	12,764,635	2,021,600	16,027,750	21,973,674
Number of persons	1	4	2	7

Notes to the Financial Statements

For the year ended 30 June 2013

	2012			
	Chief Executive	Non-Executive Director	Executive Director	Executives
	Rupees			
Short term employee benefits				
Managerial remuneration	8,400,000	-	12,000,000	13,200,800
Bonus	-	-	-	1,100,067
Fees	-	760,000	-	-
Medical expenses reimbursed	78,108	-	112,360	-
	8,478,108	760,000	12,112,360	14,300,867
Post employment benefits				
Contribution to provident fund	294,000	-	420,000	819,042
Contribution to gratuity	3,800,000	-	4,600,000	1,149,715
	12,572,108	760,000	17,132,360	16,269,624
Number of persons	1	1	2	5

36.2 The Company also provides the Chief Executive, Directors and Executives with free use of Company maintained cars.

37 Transactions with related parties

The related parties comprise associated companies, Directors of the Company, key management staff and staff retirement funds. The company in the normal course of business carries out transactions with related parties. Amounts due from/to related parties are shown under receivables and payables, amounts due to Directors are shown under payables and remuneration of Directors is disclosed in note 35. Other significant transactions with related parties are as follows:

	Note	2013 Rupees	2012 Rupees
Contribution to provident fund		5,159,826	4,209,009
Contribution to gratuity fund		-	7,014,974
Contribution to Kohat Cement Co. Ltd. Education Trust	37.1	712,261	873,806
Palace Enterprises (Pvt.) Limited		338,792	397,831

37.1 None of the Directors of the Company or any of their spouse have any interest in donee's fund except that Mr. Aizaz Mansoor Sheikh and Mr. Nadeem Atta Sheikh, Directors of the Company are members of the Board of Trustees of Kohat Cement Educational Trust.

38 Provident Fund related disclosures

Based on the unaudited financial statements of the Employees' Provident Fund Trust, the total size (total asset) of the fund is Rs. 73.343 million (2012: 59.095 million) out of which Rs. 68.467 million (2012: 52.915 million) is in the form of investments i.e. 93.35% (2012: 89.54%). Investments include fixed deposits of Rs. 67.765 million (2012: 54.7 million) with commercial banks and balances in saving accounts with commercial banks amount to Rs 0.702 million (2012: 0.215 million).

The investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

Notes to the Financial Statements
For the year ended 30 June 2013

	Plant Capacity		Actual Production	
	2013	2012	2013	2012
39 Capacity and production				
Clinker				
Grey (M Tons)	2,550,000	2,550,000	1,676,569	1,507,812
White (M Tons)	135,000	135,000	18,047	10,217
Cement				
Grey (M Tons)	2,805,000	2,805,000	1,833,329	1,664,921
White (M Tons)	148,500	148,500	21,334	14,201

Lower capacity utilization of cement plant is due to gap between demand and supply of cement in local market. The capacity figures of both the plants are based on 300 days.

40 Number of Employees

The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

	2013	2012
	No. of employees	
Average number of employees during the year	365	334
Number of employees as at June 30	403	357

41 Post balance sheet events

The Board of Directors in their meeting held on 18 September 2013 has proposed a 50% final cash dividend i.e. Rs. 5 per ordinary share (2012: Rs. 3 per ordinary share) amounting to Rs. 643,786,205 (2012: Rs. 386,271,723). The Board has further proposed issuance of 20% Bonus Shares i.e. issuance of 2 ordinary shares for every 10 ordinary shares held; and has also recommended increase in authorized capital of the Company from Rs. 1.5 billion to Rs. 3 billion. All these declarations/recommendations are subject to approval of the Company in the Annual General Meeting to be held on October 31, 2013.

42 General

42.1 Figures have been rounded off to the nearest Pak Rupee.

42.2 Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangement have been made.

42.3 These financial statements were authorized for issue on September 18, 2013 by the Board of Directors of the Company.

Chief Executive

Director

Pattern of Shareholding

As at 30 June 2013

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held	Percentage of Total Capital
305	1	-	100	11,501	0.01
586	101	-	500	188,343	0.15
560	501	-	1000	487,931	0.38
616	1001	-	5000	1,400,113	1.09
122	5001	-	10000	940,626	0.73
38	10001	-	15000	496,934	0.39
13	15001	-	20000	246,306	0.19
16	20001	-	25000	371,673	0.29
10	25001	-	30000	293,050	0.23
14	30001	-	35000	460,316	0.36
10	35001	-	40000	390,413	0.3
10	40001	-	45000	435,304	0.34
7	45001	-	50000	346,500	0.27
2	50001	-	55000	104,000	0.08
2	55001	-	60000	118,000	0.09
2	60001	-	65000	128,915	0.1
5	65001	-	70000	344,000	0.27
3	70001	-	75000	217,700	0.17
2	75001	-	80000	156,500	0.12
4	80001	-	85000	327,705	0.25
2	85001	-	90000	178,000	0.14
2	90001	-	95000	186,225	0.14
3	95001	-	100000	296,290	0.23
2	105001	-	110000	218,725	0.17
1	110001	-	115000	113,000	0.09
1	115001	-	120000	116,822	0.09
3	120001	-	125000	371,500	0.29
1	125001	-	130000	128,000	0.1
3	130001	-	135000	397,415	0.31
3	135001	-	140000	411,887	0.32
3	140001	-	145000	423,352	0.33
2	145001	-	150000	300,000	0.23
2	155001	-	160000	313,500	0.24
1	175001	-	180000	178,005	0.14
2	195001	-	200000	400,000	0.31
1	250001	-	255000	251,000	0.19
1	280001	-	285000	285,000	0.22
1	290001	-	295000	291,874	0.23
1	300001	-	305000	300,500	0.23
1	375001	-	380000	376,357	0.29
1	380001	-	385000	383,000	0.3
1	420001	-	425000	425,000	0.33
2	460001	-	465000	925,273	0.72
2	495001	-	500000	1,000,000	0.78
1	505001	-	510000	510,000	0.4
1	525001	-	530000	527,500	0.41
1	535001	-	540000	539,560	0.42
1	585001	-	590000	586,000	0.46
1	620001	-	625000	620,430	0.48
2	820001	-	825000	1,650,000	1.28
1	875001	-	880000	876,000	0.68
1	1145001	-	1150000	1,147,020	0.89
2	1260001	-	1265000	2,522,520	1.96
1	1615001	-	1620000	1,619,000	1.26
1	1895001	-	1900000	1,896,112	1.47
1	2075001	-	2080000	2,076,236	1.61
1	2095001	-	2100000	2,100,000	1.63
2	2195001	-	2200000	4,400,000	3.42
2	2550001	-	2555000	5,100,078	3.96
1	2620001	-	2625000	2,624,923	2.04
1	5195001	-	5200000	5,200,000	4.04
1	5680001	-	5685000	5,684,350	4.41
1	21420001	-	21425000	21,421,913	16.64
1	22970001	-	22975000	22,971,505	17.84
1	28945001	-	28950000	28,947,539	22.48
2,394				128,757,241	100

Categories of Shareholding

As at 30 June 2013

		Shares Held	Percentage
I	**Directors, Chief Executive Officer, Their Spouse and Minor Children**	**80,487,108**	**62.51%**
	Directors		
	Mr. Aizaz Mansoor Sheikh	22,971,505	17.84%
	Mr. Nadeem Atta Sheikh	28,947,539	22.48%
	Mrs. Shahnaz Aizaz	500,000	0.39%
	Mrs. Hijab Tariq	21,421,913	16.64%
	Mrs. Hafsa Nadeem	1,896,112	1.47%
	Mr. Muhammad Atta Tanseer Sheikh	2,550,039	1.98%
	Mr. Muhammad Rehman Sheikh	2,200,000	1.71%
	Directors' spouse	NIL	0.00%
	Minor Children	NIL	0.00%
II	**Associated Companies, Undertakings & Related Parties**	**131,903**	**0.10%**
	Tariq Motors (Private) Limited	34,438	0.03%
	Kohat Cement Eductaion Trust	97,465	0.08%
III	**NIT & ICP**	**400**	**0.00%**
	Investment Corporation of Pakistan	400	0.00%
IV	**Banks, Development Finance Institutions, and Non-Banking Finance Companies**	**1,662,876**	**1.29%**
V	**Insurance Companies & Takaful**	**178,000**	**0.14%**
VI	**Modarabas**	**14,000**	**0.01%**
	First Prudential Modarba	13,000	0.01%
	First Pak Modarba	1,000	0.00%
VII	**Mutual Funds**	**6,662,424**	**5.17%**
	Pakistan Stock Market Fund	620,430	0.48%
	Pakistan Capital Market Fund	141,000	0.11%
	JS Large Cap. Fund	825,000	0.64%
	Pak Strategic Alloc. Fund	89,500	0.07%
	JS Islamic Fund	425,000	0.33%
	Pak. Int. Element Islamic Asset Allocation Fund	93,500	0.07%
	UBL Stock Advantage Fund	825,000	0.64%
	UBL Sharia Stock Fund	500,000	0.39%
	NAFA Stock Fund	586,000	0.46%
	NAFA Multi Asset Fund	131,000	0.10%
	MCB Dynamic Stock Fund	462,333	0.36%
	NAFA Islamic Multi Asset Fund	136,500	0.11%
	KASB Asset Allocation Fund	285,000	0.22%
	MCB Dynamic Allocation Fund	123,000	0.10%
	First Capital Mutual Fund Limited	75,000	0.06%
	JS Islamic Pension Savings Fund-Equity Account	69,000	0.05%
	IGI Stock Fund	135,000	0.10%
	LAKSON Equity Fund	80,000	0.06%
	Crosby Dragon Fund	131,415	0.10%
	URSF-Equity Sub Fund	39,976	0.03%
	UIRSF-Equity Sub Fund	43,000	0.03%
	NAFA Asset Allocation Fund	157,500	0.12%
	Pakistan Premier Fund	291,874	0.23%
	HBL Islamic Stock Fund	200,000	0.16%
	Pakistan Pension Fund - Equity Sub Fund	80,396	0.06%
	Pakistan Islamic Pension Fund - Equity Sub Fund	50,000	0.04%
	HBL IPF Equity Sub Fund	21,000	0.02%
	KSE Meezan Index Fund	45,000	0.03%
VIII	**Shareholders holding 5% and more (other than above)**	**NIL**	**0.00%**
IX	**General Public**	**37,689,720**	**29.27%**
	a) Local	37,688,329	29.27%
	b) Foreign	1,391	0.00%
X	**Others**	**1,930,810**	**1.50%**
	i) Joint Stock Companies	1,679,995	1.30%
	ii) Gratuity/Pension/Provident Funds	117,690	0.09%
	iii) Charitable Trusts	133,125	0.10%
	iv) Executives	NIL	0.00%
	v) Public Sector Companies and Corporations	NIL	0.00%

Lahore: September 18, 2013

Chief Executive

Form of Proxy

34th Annual General Meeting 2013

I/We____

of ____ being a member of

Kohat Cement Company Limited and holder of ___________________________________ (No. of shares) Ordinary shares as per

Share Register Folio No. ___________________________ and/or CDC Participant I.D. No. ______________________ and

Sub Account No. ____________________ hereby appoint ____

of ____ another member of the company (or failing

him ____of____________________________________)

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 31 October 2013 at 11:00 A.M. at the registered office of the company Kohat Cement Factory, Rawalpindi Road, Kohat and at any adjournment thereof.

Signed this ________________day of______________2013.

Signature:

Please affix
Rupees five
revenue stamp

Witnesses:

1. Signature: ____________________
   Name: ______________________
   Address: ____________________
   ____
   CNIC or
   Passport No. __________________

2. Signature: ____________________
   Name ______________________
   Address: ____________________
   ____
   CNIC or
   Passport No. __________________

Note:

1. Proxies in order to be effective must be duly stamped and received by the company not less than 48 hours before the time of holding the meeting. No person shall be appointed as a proxy who is not a member of the company qualified to vote except that a company/ corporation being a member may appoint as proxy a person who is not a member.
2. CDC account holders and their proxies are requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
3. Signature should agree with the specimen signature registered with the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary,

Kohat Cement Company Limited,
Rawalpindi Road, Kohat.
Tel: 0922-560-990
Fax: 0922-560-405

WWW.KOHATCEMENT.COM

HEAD OFFICE

37-P, GULBERG II, LAHORE, PAKISTAN
TEL: +92 -42-11-111-KCCL (5225)
FAX: +92-423-5754084, 5874990
EMAIL: INFO@KOHATCEMENT.COM

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