ANNUAL REPORT | 2011

KOHAT CEMENT
COMPANY LIMITED

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

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

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COMPANY INFORMATION

Board of Directors

Mr. Aizaz Mansoor Sheikh
Chief Executive

Mr. Nadeem Atta Sheikh
Mrs. Ghazala Amjad
Mrs. Hafsa Nadeem
Mr. Omer Aizaz Sheikh
Mr. Ibrahim Tanseer Sheikh
Mr. M. Atta Tanseer Sheikh

Audit Committee

Mr. Ibrahim Tanseer Sheikh
Chairman

Mr. Omer Aizaz Sheikh
Mr. M. Atta Tanseer Sheikh

Company Secretary

Mr. Usman Khalil

Legal Advisor

Qazi Waheed-ud-Din

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar

AZM Computers (Pvt.) Limited
24-Ferozepur Road,
Mozang Chungi, Lahore.
Tel: (042) 37500131
Fax: (042) 37500030

Registered Office and Works

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

Head Office

37 - P, Gulberg - II, Lahore.
Tel: (042) 11 111 5225
Fax: (042) 3575 4990
E-mail: 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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 32nd Annual General Meeting of the shareholders of **Kohat Cement Company Limited** will be held on Monday, October 31, 2011 at 10:00 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 accounts of the Company for the year ended June 30, 2011 together with Auditor's and Directors' Reports thereon.

2. To appoint Auditors for the year 2011-2012 and to fix their remuneration.

(By Order of the Board)

(USMAN KHALIL)
COMPANY SECRETARY

Lahore: October 10, 2011

Notes:

1. The register of members and the share transfer books of the Company will be closed from Monday, October 24, 2011 to Monday, October 31, 2011 (both days inclusive). Physical transfers / CDS transactions IDs received in order at the share department of the Company, AZM Computer Services (Pvt.) Limited, 24-Ferozepur Road, Mozang Chungi, Lahore, upto the close of business on Saturday, October 22, 2011 will be treated in time to attend and vote at Annual General Meeting.

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

3. CDC shareholders are requested to bring their National Identity Card, Account and Participant's Number and will further have to follow the guidelines as laid down in the Securities & Exchange Commission of Pakistan's Circular No. 1 dated 26th January 2000 while attending the Meeting for identification.

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

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company are pleased to present the Annual Report together with audited financial statements and Auditors' report thereon for the year ended June 30, 2011.

Overview

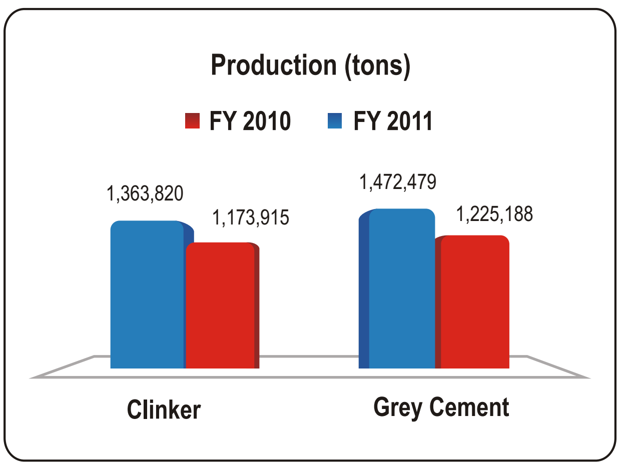
The economic slowdown coupled with high inflation severely affected the cement industry in the country. There was a negative growth of 8% in the cement sector where by domestic consumption of cement declined by 6.6% to 22 million tons and Exports declined by 11.7% to 9.4 million tons.

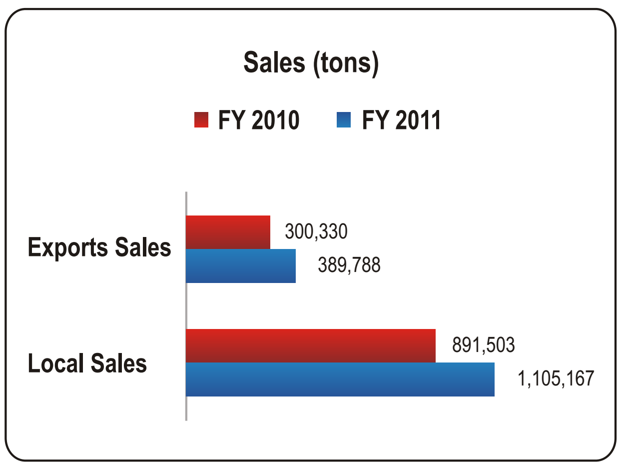
By the grace of Almighty Allah your company managed the highest ever sales volume of 1,494,955 tons of grey cement during the current financial year compared to 1,191,833 tons in the previous year showing an increase of 25.4% in sales volume.

Production and Sale Volumes

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

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





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

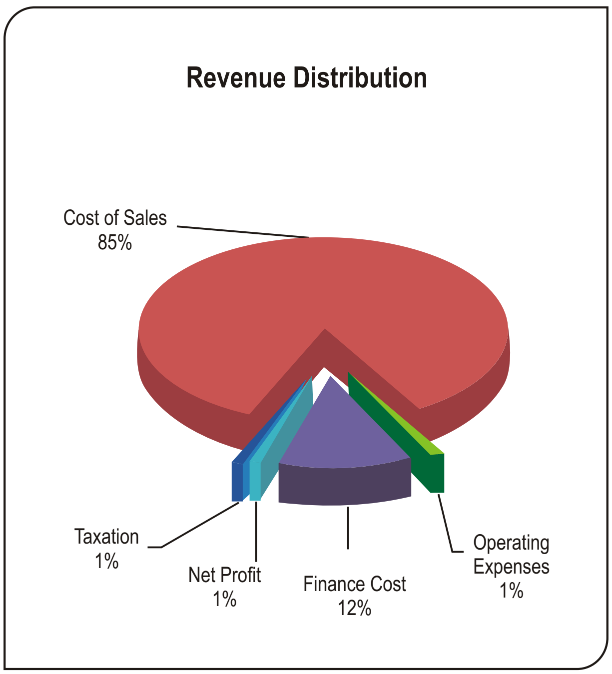
Financial results

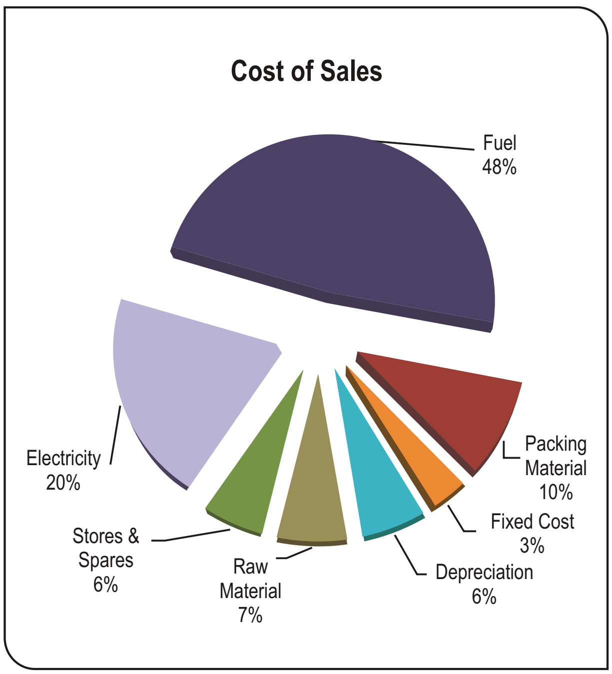
The Company has earned a pre-tax profit of Rs. 125.7 million (2010: Pre-tax loss of Rs. 382.2 million) after accounting for all charges inclusive of depreciation of Rs. 310.562 million (2010: Rs. 255.7 million).

The operating performance of the company is summarized below:

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

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





Appropriations

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

Future prospects

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

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

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

Compliance with code of corporate governance

The management is fully aware of the Company's obligations for compliance with the Code of Corporate Governance as incorporated in the Listing Regulations of all Stock Exchanges of Pakistan and steps are being taken for its effective implementation within the allowed time frame. The various statements, as required by the Code, are given below:

- The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements to ensure the true and fair view of the Company's financial position.
- The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations wherever applicable to the Company for the year ended June 30, 2011.

Financial highlights - Key operating & financial data of last eight years is included in this report.

Outstanding statutory dues - The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in note no. 10 and 33.

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

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

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

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

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

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

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

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

* Gift to/from spouse

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

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

External auditors -The present auditors, M/s. KPMG Taseer Hadi and Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended the re-appointment of present auditors of the Company for the ensuing year.

Corporate Social Responsibility - We work with Government to meet our legal and social obligations and contribute towards the development of the economy of the country and during the year contributed Rs. 1.8 billion into Government exchequer on account of direct and indirect taxes and duties.

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

Management and employees relations - The Board would like to record its appreciation for the valuable contribution made by all its employees. The management is quite confident that these cordial relations and cooperation will continue in the years to come.

For and on behalf of the Board

AIZAZ MANSOOR SHEIKH
Chief Executive

Lahore : 04 October 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
For the Year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of the Stock Exchanges of Karachi, Lahore and Islamabad 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 on its Board of Directors. At present the Board includes four non-executive directors.

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

3. To the best of our knowledge 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 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring in the Board during the year was filled up by the directors within 30 days thereof.

5. The Company has prepared a "Statement of Ethics and Business Practices", which has been adopted by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & 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, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company intends to nominate its Directors, one by one, to the Board Development Series Certificate Program of Pakistan Institute of Corporate Governance (“PICG”) that will become mandatory effective June 2012.

10. The Board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

11. There were no new appointments of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit during the year. However, all such appointments including their remuneration and terms & conditions of employment are approved by the Board.

12. 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.

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

14. 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.

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

16. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the committee have been formulated and advised to the committee for compliance.

18. The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.

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 related party transactions have been placed before the audit committee and approved by the Board of Directors alongwith pricing methods. The transactions were carried out on terms equivalent to those that prevail in the arm's length transactions.

22. We confirm that all other material principles contained in the Code have been complied.

Lahore: October 04, 2011

AIZAZ MANSOOR SHEIKH
(CHIEF EXECUTIVE)

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 prepared by the Board of Directors of **Kohat Cement Company Limited ("the Company")** to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges.

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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 under taken at arm's length price.

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 2011.

KPMG Taseer Hadi & Co.

Lahore: October 04, 2011

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Kohat Cement Company Limited ("the Company")** as at 30 June 2011 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 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 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended;

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KPMG Taseer Hadi & Co.

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

Lahore: October 04, 2011

	Note	2011 Rupees	2010 Rupees
Equity and liabilities			
Authorised share capital			
150,000,000 (2010: 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	129,409,009	51,278,714
Accumulated profit		685,834,718	622,118,747
		2,102,816,137	1,960,969,871
Non-current liabilities			
Long term finances - secured	6	3,536,870,000	3,049,320,000
Long term security deposits and retention money	7	163,656,829	155,923,337
Deferred liabilities	8	323,097,976	62,669,613
Derivative financial liabilities	9	187,420,429	202,024,046
		4,211,045,234	3,469,936,996
Current liabilities			
Trade and other payables	10	973,628,527	734,312,487
Interest and markup accrued	11	433,182,170	504,895,065
Short term borrowings - secured	12	1,363,678,773	1,406,895,249
Current portion of non-current liabilities	13	40,050,000	596,370,138
		2,810,539,470	3,242,472,939
Contingencies and commitments	14		
		9,124,400,841	8,673,379,806

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

CHIEF EXECUTIVE

Lahore: October 04, 2011

AS AT 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
Non current assets			
Property, plant and equipment			
Operating fixed assets	15	7,140,840,908	6,368,030,446
Capital work-in-progress	16	-	861,363,339
		7,140,840,908	7,229,393,785
Intangible assets	17	2,355,963	2,587,653
Long term loans and advances	18	23,706,054	28,832,286
Long term deposits	19	3,879,440	5,397,440
		7,170,782,365	7,266,211,164
Current assets			
Stores, spares and loose tools	20	850,571,198	638,000,427
Stock in trade	21	507,527,333	290,433,057
Trade debts	22	12,567,298	20,010,133
Investments	23	36,156,000	-
Advances, deposits, prepayments and other receivables	24	506,114,913	430,703,292
Cash and bank balances	25	40,681,734	28,021,733
		1,953,618,476	1,407,168,642
		9,124,400,841	8,673,379,806

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	26	6,085,434,517	3,692,038,418
Cost of goods sold	27	5,158,302,614	3,335,017,892
Gross profit		927,131,903	357,020,526
Selling and distribution expenses	28	41,199,134	56,245,683
Administrative and general expenses	29	48,845,016	35,943,591
		90,044,150	92,189,274
Operating profit		837,087,753	264,831,252
Other operating expenses	30	16,484,515	4,835,758
		820,603,238	259,995,494
Other operating income	31	20,424,475	23,210,906
		841,027,713	283,206,400
Finance cost	32	715,246,906	665,444,011
Profit/ (Loss) before taxation		125,780,807	(382,237,611)
Taxation	33	62,064,836	(54,460,469)
Profit/ (Loss) after taxation		63,715,971	(327,777,142)
Earning / (Loss) per share - basic and diluted	34	0.49	(2.55)

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

CHIEF EXECUTIVE

Lahore: October 04, 2011

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
Income/ (loss) after taxation	**63,715,971**	(327,777,142)
Other comprehensive income		
Available for sale financial assets		
Change in fair value	**15,987,900**	-
Cash flow hedge		
Fair value adjustment of cash flow hedge	**14,603,618**	(41,903,613)
Re-pricing settlement received from cash flow hedge	**51,055,679**	45,519,577
Deferred taxation of hedging movements	**(3,516,902)**	13,583,884
	62,142,395	17,199,848
Other comprehensive income for the Year - net of taxes	**78,130,295**	17,199,848
Total comprehensive income/ (loss) for the year	**141,846,266**	(310,577,294)

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

CHIEF EXECUTIVE — **DIRECTOR**

Lahore: October 04, 2011

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ (loss) before taxation		125,780,807	(382,237,611)
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		310,562,802	255,694,030
Amortization		687,984	530,251
(Profit)/ loss on sale of property, plant and equipment		(1,018,152)	3,293,621
Exchange loss/ (gain) - net		6,526,472	(11,557,787)
Provision for staff retirement benefits		3,181,557	1,897,745
Provision for compensated absences		677,954	247,202
Profit/mark-up on bank deposits and advances		(2,917,754)	(1,842,883)
Finance cost		715,246,906	658,589,707
		1,032,947,769	906,851,886
Operating profit before working capital changes		1,158,728,576	524,614,275
(Increase)/decrease in current assets			
Stores, spares and loose tools		(212,570,771)	(37,082,496)
Stock in trade		(217,094,276)	(151,139,364)
Trade debts		7,442,835	(2,217,968)
Advances, deposits, prepayments and other receivables		(158,511,339)	165,497,857
Increase in current liabilities			
Trade and other payables		239,316,040	179,853,875
		(341,417,511)	154,911,904
Cash generated from operations		817,311,065	679,526,179
Finance cost paid		(574,832,364)	(510,286,275)
Contribution to staff retirement benefit		(795,340)	(1,693,075)
Compensated absences paid		(409,199)	(471,763)
Income tax paid		(17,447,982)	(38,740,231)
		(593,484,885)	(551,191,344)
Net cash inflow from operating activities		223,826,180	128,334,835
Cash flow from investing activities			
Fixed capital expenditure		(145,440,202)	(176,135,997)
Sale proceeds of property, plant and equipment		5,811,072	6,858,041
Profit/mark-up on bank deposits		2,917,754	2,566,963
Decrease in long term loans and advances		5,126,232	4,481,061
Increase in short term investments		(20,168,100)	-
Decrease in long term deposits		1,518,000	-
Net cash used in investing activities		(150,235,244)	(162,229,932)
Cash flow from financing activities			
Proceeds from import finance		136,435,362	28,187,368
Proceeds from export refinance		-	398,000,000
Proceeds from long term finances		-	32,102
Repayments of long term finances		(66,733,425)	(24,999,996)
Payment of finance lease liabilities		(2,036,713)	(1,702,594)
Proceeds from derivative financial instrument		51,055,679	45,519,577
Net cash inflow from financing activities		118,720,903	445,036,457
Net Increase in cash and cash equivalents		192,311,839	411,141,360
Cash and cash equivalents at the beginning of the year		(914,486,523)	(1,325,627,883)
Cash and cash equivalents at the end of the year	35	(722,174,684)	(914,486,523)

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

CHIEF EXECUTIVE
Lahore: October 04, 2011

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Share Capital	Share Premium	Fair value Reserve	Hedging Reserve	General Reserve	Accumulated Profit	Total
	(			Rupees			)
Balance as at 30 June 2009	1,287,572,410	49,704,951	-	(85,626,085)	70,000,000	949,895,889	**2,271,547,165**
Total comprehensive loss for the year	-	-	-	17,199,848	-	(327,777,142)	**(310,577,294)**
Balance as at 30 June 2010	1,287,572,410	49,704,951	-	(68,426,237)	70,000,000	622,118,747	**1,960,969,871**
Total comprehensive income for the year	-	-	15,987,900	62,142,395	-	63,715,971	**141,846,266**
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**

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

CHIEF EXECUTIVE
Lahore: October 04, 2011

DIRECTOR

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2011.

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on Company's financial statements.

- Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2011). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2011 or annual periods beginning on or after 1 January 2012:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. 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.

- 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 recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise 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 recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has 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). 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.

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 and recognition of certain employee retirement benefits at present 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.

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:

-	Taxation	note 3.3
-	Staff retirement benefits	note 3.4
-	Derivative financial instruments	note 3.5
-	Depreciation method, residual values and useful lives of depreciable assets	note 3.7
-	Provisions and contingencies	note 3.19

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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

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.

3.4 Employee benefits

Defined benefit plan

Upto 30 June 2011, the Company operated a funded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund was being made annually on the basis of actuarial recommendation to cover obligation under the scheme.

The gratuity scheme has been terminated w.e.f. 30 June 2011 and all amounts due to employees under the gratuity scheme will be paid off. Accordingly full provision has been accounted for all amounts due under the scheme instead of Projected Unit Credit method and any resultant increase in obligation has been accounted for as an expense in the current period.

Defined contribution plan

The Company also 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

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost, as the case may be. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are de-recognized when the Company loses control of contractual rights that comprise the financial asset. Whereas financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled, or expires.

Derivative financial instruments and hedging activities

These are initially recorded at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedge. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are recorded in the profit and loss account for the year.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. Such hedges are expected to be highly effective in achieving the task of offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting period for which they were designated.

For the purposes of hedge accounting, cash flow hedges refer to hedges against exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, a firm commitment, or a forecast transaction. In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity and the ineffective portion is recognised in the profit and loss account immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transactions occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account for the year.

3.6 Trade and other payables

Financial liabilities are initially recognised at fair value plus directly attributable cost, if any, subsequently at amortised cost using effective interest rate method.

Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.7 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. Stores and spares held for capital expenditure are stated at moving average cost.

Depreciation on property, plant and equipment except for factory building and plant & machinery for white and new grey cement line, is charged by applying reducing balance method. Depreciation on factory building and plant & machinery for white and new grey cement line is charged by applying straight line method and unit of production method respectively. Depreciation rates are given in note 15.

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.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

Normal repairs and maintenance are charged to income 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 income.

3.8 Leases

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets at the inception of the lease. The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method. Depreciation of leased assets is charged to profit.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year-end and adjusted if impact of depreciation is significant.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

3.9 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.

3.10 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.

3.11 Stock in trade

Stock of raw materials, except for those in transit, work in process and finished goods are valued principally at the lower of average cost and net realisable value. Stock of packing material is valued principally at moving average cost. Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice plus other charges paid thereon.

Net realisable value signifies the estimated selling prices in the ordinary course of business less costs necessary to be incurred in order to make a sale.

3.12 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.

3.13 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 recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not 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 currently. 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 recognised on the trade date which is the date that the company commits to purchase or sell the investment.

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 recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount.

3.14 Off setting of financial assets and liabilities

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

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 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 recognised 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 recognised 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 Dividend

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

4 Issued subscribed and paid up capital

		Note	2011 Rupees	2010 Rupees
20,749,585	(2010: 20,749,585) ordinary shares of Rs. 10 each fully paid-up in cash		**207,495,850**	207,495,850
11,230,000	(2010: 11,230,000) ordinary shares of Rs. 10 each issued against consideration other than cash		**112,300,000**	112,300,000
96,777,656	(2010: 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 (2010: 34,438) ordinary shares of the Company are held by Tariq Motors (Private) Limited - related party.

5 Reserves

	Note	2011 Rupees	2010 Rupees
Capital Reserves			
- Share premium	5.1	49,704,951	49,704,951
- Fair value reserve	5.2	15,987,900	-
- Hedging reserve	5.3	(6,283,842)	(68,426,237)
		59,409,009	(18,721,286)
Revenue reserves			
- General reserves		70,000,000	70,000,000
		129,409,009	51,278,714

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 available for sale investments.

5.3 As referred in note 9, this represents the effect of change in fair value of cross currency swap as at balance sheet date and is net of deferred tax impact amounting to Rs.50.490 million (2010: Rs. 54.007 million).

6 Long term finances - secured

	Note	Limit (Rupees in million)	2011 Rupees	2010 Rupees
Pak Oman Investment Company Limited	6.1	50	-	20,833,425
Standard Chartered Bank (Pakistan) Limited	6.2	108.5	62,600,000	108,500,000
Redeemable capital - Sukuk Certificates	6.3	2,500	2,414,320,000	2,414,320,000
Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited	6.4	1,140	1,100,000,000	1,100,000,000
			3,576,920,000	3,643,653,425
Less: Current maturity shown under current liabilities			40,050,000	594,333,425
			3,536,870,000	3,049,320,000

6.1 The facility was fully paid during the period.

6.2 This facility is payable in six quarterly installments ending June 2013. The finance carries mark up at the rate of three month KIBOR plus 0% (2010: 6K+1.5%) payable quarterly. Facility is secured by way of first hypothecation / equitable mortgage charge over fixed assets of the Company to the extent of Rs. 467 million and personal guarantees of all the directors.

6.3 This facility was rescheduled on 15 February 2010 and under the revised terms the amount due is re-payable in 14 quarterly installments commencing September 2012 and ending in December 2015. Markup is charged at the rate of three months KIBOR plus 1.8% (2010: three month KIBOR plus 1.8%) up till December, 2011 and thereafter mark up shall be charged at the rate of three months KIBOR plus 2.5%. Company is allowed to make partial payments against the quarterly mark-up payments due for the period March 2010 to March 2011 whereas the balance mark-up shall be deferred and settled along with subsequent normal quarterly mark up payments upto September 2012. Out of total deferred mark up of Rs. 401 million as at 30 June 2011, Rs. 349 million is due within next financial year whereas the balance deferred markup of Rs 52.140 million is payable after one year. All mark up payments are payable on quarterly basis. It has also been agreed that the Company shall use at least sixty percent of its free cash flows; firstly for settlement of accrued mark up followed by utilizing the balance amount to repay the principal amount. 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 (2010: Rs. 3,334 million).

6.4 The facility has been re-scheduled on 22 February 2011. As per revised terms, a grace period of three years starting December 2009 has been allowed in principal payments. Principal amount will now be repaid by June 2016 in 15 quarterly installments starting December 2012. Mark up is charged at the rate of three months KIBOR plus 1.8% (2010: three month KIBOR plus 1.8%) payable quarterly in arrears. Payment of outstanding mark-up of Rs. 81.126 million as of 20 December 2009 has been deferred and further Company has been allowed to make partial payments against the quarterly mark-up payments due for the period March 2010 to September 2011. The deferred mark-up shall be settled alongwith normal quarterly mark-up payments starting December 2011. Out of total deferred mark-up of Rs. 281.856 million as at 30 June 2011, Rs. 22.5 million is due within next financial year and Rs. 259.356 million is payable after one year. All mark-up payments are payable on quarterly basis. 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 (2010: Rs. 1,520 million).

7 Long term security deposits and retention money

	Note	2011 Rupees	2010 Rupees
Security deposits - interest free			
From cement stockists	7.1	**1,711,100**	1,711,100
From cement transporters	7.2	**400,000**	400,000
		2,111,100	2,111,100
Retention money - interest free	7.3	**161,545,729**	153,812,237
		163,656,829	155,923,337

7.1 These deposits are repayable on the termination of the agency 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.

7.3 These amounts have been retained from the invoices / bills of the expansion project's suppliers / contractors and are repayable after one year from the satisfactory fulfillment of terms and conditions of the supply / services contracts. This includes Rs 150.826 million (2010: 143.092 million) equivalent to USD 1,240,000 and Euro 353,300 (2010: USD 1,240,000 and Euro 353,300) retained from invoices of TCDRI, plant supplier as per terms of the agreement. (Refer note 24.3)

8 Deferred liabilities

	Note	2011 Rupees	2010 Rupees
Deferred taxation	8.1	2,750,638	2,463,266
Staff retirement benefits	8.2	6,730,932	4,344,715
Compensated absences	8.3	2,120,361	1,851,606
Deferred mark-up payments	11	311,496,045	54,010,026
		323,097,976	62,669,613

8.1 Deferred taxation

The liability for deferred taxation comprises of temporary differences relating to:

	2011	2010
Accelerated tax depreciation	1,222,466,219	1,058,995,156
Liabilities under finance lease that are deducted for tax purpose only when paid	-	318,110
Unrealized loss on derivative financial instrument	(50,490,186)	(54,007,088)
Unused tax losses	(1,169,225,395)	(1,002,842,912)
	2,750,638	2,463,266

8.2 Staff retirement benefits

	Note	2011	2010
Defined benefit plan funded - Gratuity	8.2.1	6,730,932	4,344,715

8.2.1 Defined benefit plan funded - Gratuity

Amount recognized in the balance sheet is as follows:

	Note	2011	2010
Present value of defined benefit obligation	8.2.2	11,319,105	9,012,400
Benefits payable to outgoing members		218,080	793,130
Fair value of plan assets	8.2.3	(4,806,253)	(4,579,881)
Un-recognized actuarial losses	8.2.5	-	(880,934)
Liability as at 30 June		6,730,932	4,344,715
Net liability as at 01 July		4,344,715	4,140,045
Charge to profit and loss account	8.2.4	3,181,557	1,897,745
Contribution by the Company		(795,340)	(1,693,075)
Liability as at 30 June		6,730,932	4,344,715

8.2.2 Movement in liability for defined benefit obligation

	2011 Rupees	2010 Rupees
Present value of defined benefit obligation as at 01 July	9,012,400	9,791,602
Current service cost	1,103,543	1,121,772
Interest cost	1,081,488	1,174,992
Loss on settlement of defined benefit plan	116,870	-
Benefit payments due, but not paid	(76,270)	(758,550)
Benefits paid during the year	(144,020)	(1,509,515)
Actuarial (gain) / loss on present value of defined benefit obligation	225,094	(807,901)
Present value of defined benefit obligation as at 30 June	11,319,105	9,012,400

8.2.3 Movement in fair value of plan assets

	2011 Rupees	2010 Rupees
Fair value of plan assets as at 01 July	4,579,881	4,175,907
Expected return on plan assets	261,000	501,109
Contribution paid during the year	789,840	1,693,075
Benefits paid during the year	(789,840)	(1,693,075)
Actuarial (loss) / gain on plan assets	(34,628)	(97,135)
Fair value of plan assets as at 30 June	4,806,253	4,579,881

Plan assets consist of the following:

	2011 Rupees	2010 Rupees
Term deposit - The Bank of Khyber	4,350,000	4,559,070
Cash at Bank	456,253	20,811
	4,806,253	4,579,881

8.2.4 Charge to profit and loss account

	2011 Rupees	2010 Rupees
Current service cost	1,103,543	1,121,772
Interest cost	1,081,488	1,174,992
Expected return on plan assets	(261,000)	(501,109)
Loss on settlement of defined benefit	116,870	-
Actuarial loss recognized on settlement of plan	1,140,656	102,090
	3,181,557	1,897,745

8.2.5 Movement in un-recognised actuarial losses

	2011 Rupees	2010 Rupees
Un-recognised actuarial losses as at 01 July	880,934	1,693,790
Actuarial (gain)/loss arising during the year	259,722	(710,766)
Actuarial losses charged to profit during the year on settlement on plan	(1,140,656)	(102,090)
Un recognised actuarial losses as at 30 June	-	880,934

8.2.6 Actual return on plan assets of funded gratuity scheme was Rs. 0.456 million (2010: Rs. 0.591 million).

8.2.7 Historical information

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of defined benefit Obligation	**11,319,105**	9,012,400	9,791,602	8,535,002	32,889,501
Fair value of plan Assets	**(4,806,253)**	(4,579,881)	(4,175,907)	(3,726,968)	(32,007,863)
Deficit in the plan	**6,512,852**	4,432,519	5,615,695	4,808,034	881,638
Experience adjustment arising on plan liabilities	225,094	(807,901)	57,046	(837,542)	170,383
Experience adjustment arising on plan assets	(34,628)	(97,135)	1,703	(1,893,335)	(684,725)

8.2.8 Assumptions used for valuation of the defined benefit scheme for employees are as under:

	2011 % per annum	2010 % per annum
Discount rate	**N/A**	12
Expected rate of return on plan assets	**N/A**	12
Expected rate of increase in salary	**N/A**	11

8.3 Compensated absences

	2011 Rupees	2010 Rupees
Balance as at 01 July	**1,851,606**	2,076,167
Expense recognized	**677,954**	247,202
Payments made during the year	**(409,199)**	(471,763)
Balance as at 30 June	**2,120,361**	1,851,606

9 Derivative Financial Liabilities

The Company has entered into an interest rate cross currency swap agreement with Standard Chartered Bank (Pakistan) Limited, repriced semi-annually, to hedge the possible adverse movements in KIBOR being charged on its long term finances detailed as under:

	2011				
	Company receives	**Company pays**	**Maturity**	**Notional Amount**	**Fair Value**
				Rupees	**Rupees**
Cross Currency Swap Exchange USD 8.4 million	6 months KIBOR	6 month LIBOR plus 1.25%	September 2012	**500,000,000**	**187,420,429**

The contract is reprised semi-annually.

	2010				
	Company receives	Company pays	Maturity	Notional Amount	Fair Value
				Rupees	Rupees
Cross Currency Swap Exchange USD 8.4 million	6 months KIBOR	6 month LIBOR plus 1.25%	September 2012	500,000,000	202,024,046

10 Trade and other payables

	Note	**2011 Rupees**	2010 Rupees
Trade Creditors	10.1	**551,857,844**	155,589,163
Contractors' bills payable		**10,436,016**	5,827,989
Accrued liabilities		**173,973,827**	149,686,096
Advances from cement customers		**35,106,208**	68,567,085
Workers' profit participation fund	10.2	**6,620,043**	-
Workers' welfare fund		**1,550,405**	2,842,878
Payable to Government on account of:			
Income tax deducted at source		**7,499,433**	15,614,992
Sales Tax payable		**18,914,132**	28,537,950
Excise duty		**92,708,497**	218,789,412
Royalty and excise duty		**32,100,888**	34,200,245
		151,222,950	297,142,599
Securities and retention money payable	10.3	**22,449,274**	37,713,722
Unclaimed dividend		**1,660,026**	1,662,321
Other payables		**18,751,934**	15,280,634
		973,628,527	734,312,487

10.1 Trade creditors do not include any amount due to related parties (2010: Rs. Nil).

10.2 Workers' profit participation fund

	Note	2011 Rupees	2010 Rupees
Balance as at 01 July		-	1,137,726
Allocation for the year		6,620,043	-
Interest accrued	30	-	60,081
		6,620,043	1,197,807
Paid during the year		-	1,197,807
Balance as at 30 June		6,620,043	-

10.3 Security and retention money

This represents interest free security deposits and retention moneys received from contractors and are repayable after satisfactory completion of contracts.

11 Interest and markup accrued

	Note	2011 Rupees	2010 Rupees
Long term finances		696,948,087	505,735,338
Deferred mark-up payments	11.1	(311,496,045)	(54,010,026)
		385,452,042	451,725,312
Short term borrowings		47,689,439	53,149,337
Liabilities against assets subject to finance lease		40,689	20,416
		433,182,170	504,895,065

11.1 This includes deferred markup amounting 52.140 million (2010: Rs. 54.010 million) and Rs. 259.356 million (2010: Nil) relating to Sukuk certificates (refer to note 6.3) and debt from Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited (refer to note 6.4) respectively.

12 Short term borrowings - secured

	Note	2011 Rupees	2010 Rupees
Short term running finances	12.1	762,856,418	942,508,256
Import finances	12.2	202,822,355	66,386,993
Export refinance	12.3	398,000,000	398,000,000
		1,363,678,773	1,406,895,249

12.1 Short term running finances

	Limite (Rupees in million)	Note	2011 Rupees	2010 Rupees
The Bank of Khyber	165	*12.1.1*	**163,794,820**	162,644,391
Standard Chartered Bank (Pakistan) Limited	246	*12.1.2*	**-**	191,255,740
KASB Bank Limited	100	*12.1.3*	**99,175,980**	97,602,096
Askari Bank Limited	300	*12.1.4*	**299,894,203**	296,571,550
Soneri Bank Limited	200	*12.1.5*	**199,991,415**	194,434,479
			762,856,418	942,508,256

12.1.1 The finance carries mark up at three months KIBOR plus 3% (2010: three months KIBOR plus 3%) payable quarterly. The facility is secured by way of first joint pari passu hypothecation charge of Rs. 80 million (2010: Rs. 80 million) on Company's present and future current assets, first joint pari passu charge of Rs. 153.846 million (2010: Rs. 153.846 million) on Company's existing and future fixed assets duly registered with SECP and personal guarantees of two directors of the Company.

12.1.2 The finance carries mark up at three months KIBOR plus 3% (2010: three months KIBOR plus 3%), payable quarterly and is secured by way of first joint pari passu charge of Rs. 500 million (2010: 500 million) on fixed assets of the Company, ranking charge on land and building amounting to Rs. 300 million, pledge of coal and personal guarantees of all the Directors of the Company.

12.1.3 The finance carries mark up at three months KIBOR plus 2.5% (2010: three months KIBOR plus 2.5%), payable quarterly. The facility is secured by way of first joint pari passu hypothecation charge over current assets of the Company of Rs. 267 million (2010: Rs. 267 million) and personal guarantees of four directors of the Company.

12.1.4 The finance carries mark up at three months KIBOR plus 2.5% (2010: three months KIBOR plus 2.5%), payable quarterly. The facility is secured by way of first joint pari passu hypothecation charge over current assets of the Company of Rs. 400 million (2009: Rs. 400 million), ranking charge on all present and future fixed assets of the Company of Rs. 162.67 million (2010: 162.67 million), equitable mortgage over immovable properties of associated companies to the extent of Rs. 400 million (2010: Rs. 400 million) and personal guarantees of four directors of the Company.

12.1.5 The finance carries mark up at six months KIBOR plus 2% (2010: six months KIBOR plus 2%), payable semi annually. The facility is secured by way of first joint pari passu hypothecation charge over current assets of the Company of Rs. 266.6 million (2010: Rs. 266.6 million).

12.2 These finances are obtained from various commercial banks and are secured against pledge of imported material and lien over import bills / documents under letter of credit. The rates of markup range from 13.87% to 20.81% (2010: 18.25% to 20.81%).

12.3 This facility is obtained from Standard Chartered Bank (Pakistan) Limited, which carries mark-up at 9%-11% per annum (2010: 9%). The facility is for a period of 180 days and can be rolled over for a further period of 180 days. It is secured against first pari passu charge on all present and future current assets of the Company of Rs. 315 million (2010:Rs. 315 million) and personal guarantees of all Directors of the Company.

13 Current portion of non-current liabilities

	Note	2011 Rupees	2010 Rupees
Long term finances	6	40,050,000	594,333,425
Liabilities against assets subject to finance lease		-	2,036,713
		40,050,000	596,370,138

14 Contingencies and commitments

14.1 Contingencies

(i) The Engineering Services International (Pakistan) Limited raised a claim of Rs 5,449,000 (2010: Rs 5,449,000) against the Company on account of Mechanical Installation/Erection. A counter claim of Rs 1,307,962 (2010: Rs 1,307,962) was lodged by the Company. The case is pending with the Senior Civil Judge, Lahore. The management of the Company expects a favorable outcome of the case; therefore, no provision has been made in the financial statements.

(ii) The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the Company, raised a claim of Rs 5,640,000 (2010: Rs 5,640,000) 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 present Board of Directors has rescinded the declaration of interim dividend on various grounds. The matter is pending for arbitration before Honourable Lahore High Court.

The Company has initiated proceedings for the recovery of Rs. 14,100,000 (2010: Rs. 14,100,000) being an interim dividend pertaining to the year ended 30 June 1992 paid by the previous management to the State Cement Corporation of Pakistan (Private) Limited. The said dividend has been rescinded by the Board and rescission confirmed at the Annual General Meeting. As a consequence, the Company has withheld Rs. 14,100,000 (2010: Rs. 14,100,000) interim dividend pertaining to the period ended 31 December 1994 payable to the State Cement Corporation of Pakistan (Private) Limited. Intimations have been made to the State Cement Corporation of Pakistan (Private) Limited 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.

(iii) The Competition Commission of Pakistan (CCP) took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on 28 October 2008 for increase in prices of cement across the country. The similar notice 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, vide its order dated 24 August 2009 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 restricted 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 being adjudicated by the Lahore High Court, Sindh High Court and Supreme Court of Pakistan. In all these cases stay orders have been granted by the Courts. Based on the legal opinion, management is confident that the Company has a good case and there are reasonable chances of success in the pending petition in the Supreme Court of Pakistan.

(iv) Guarantees issued by Commercial Banks on behalf of the Company are of Rs. 118.730 million (2010: Nil) 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 (2010: Rs. 1.68 million) in favor of government institutions for supply of cement.

(v) During 2008 the Company imported certain plant and equipment for its under construction new grey cement plant of 6700 TPD clinker capacity and declared 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 further increase the value of consignment resulting into additional liability of Rs. 68.332 million (2010: Rs. 68.332 million) which constitutes of Rs. 32.095 million (2010: Rs. 32.095 million) custom duty, Rs. 25.931 million (2010: Rs. 25.931 million) sales tax, Rs. 9.419 million (2010: Rs. 9.419 million) income tax and Rs. 0.887 million (2010: 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 Custom 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 (2010: 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 current period, the afresaid bank guarantee has been encashsed on the order of Honourable Sindh High Court. Based on legal opinion, management of the Company is confident of favourable outcome of this petition.

14.2 Commitments

	2011	2010
	Rupees	Rupees
In respect of :		
Letters of credit other than capital expenditure	**78,603,606**	471,955,406

15 Property, plant and equipment

15.1 Reconciliation of net book value

	Cost					Depreciation						
	Cost as at 30 June 2010	Additions	Transfers	Disposals	Cost as at 30 June 2011	Accumulated depreciation as at 30 June 2010	Depreciation charge	Disposal	Transfers	Accumulated depreciation as at 30 June 2011	Net book value as at 30 June 2011	Depreciation rate (% per annum)
	(-----------------Rupees				-----------------)	(-----------------Rupees					-----------------)	
Owned												
Freehold land	35,171,158	-	-	-	35,171,158	-	-	-	-	-	35,171,158	-
Factory building	2,429,496,422	328,864,501	-	-	2,758,360,923	351,358,978	119,567,660	-	-	470,926,638	2,287,434,285	5%
Office and other building	41,939,089	228,440	-	-	42,167,529	12,061,460	1,505,303	-	-	13,566,763	28,600,766	5%
Housing colony	48,108,904	-	-	-	48,108,904	27,331,933	1,038,849	-	-	28,370,782	19,738,122	5%
Plant, machinery and equipment	5,409,794,867	732,758,268	-	(658,530)	6,141,894,605	1,299,753,926	173,188,247	(204,167)	-	1,472,738,006	4,669,156,599	5% / units of production
Storage tanks and pipelines	17,187,050	12,961,202	-	-	30,148,252	16,128,280	537,917	-	-	16,666,197	13,482,055	10%
Power installations	96,040,124	742,400	-	-	96,782,524	79,161,463	1,697,298	-	-	80,858,761	15,923,763	10%
Furniture, fixtures and other office equipment	35,629,596	2,248,358	-	-	37,877,954	17,298,086	1,966,113	-	-	19,264,199	18,613,755	10%
Computer and printers	11,492,694	2,805,076	-	-	14,297,770	7,139,121	1,682,132	-	-	8,821,253	5,476,517	30%
Weighing scale	5,789,015	-	-	-	5,789,015	1,886,108	390,291	-	-	2,276,399	3,512,616	10%
Light vehicles	67,464,093	5,713,201	-	(7,272,428)	65,904,866	37,126,784	6,163,373	(5,020,069)	-	38,270,088	27,634,778	20%
Heavy vehicles	98,723,347	155,440	5,500,000	(41,595,699)	62,783,088	90,688,304	1,454,304	(39,509,501)	2,918,666	55,551,773	7,231,315	20%
Railway sidings	9,853,476	-	-	-	9,853,476	7,376,330	123,857	-	-	7,500,187	2,353,289	5%
Laboratory equipments	22,656,562	1,689,298	-	-	24,345,860	17,247,871	600,522	-	-	17,848,393	6,497,467	10%
Library books	94,217	-	-	-	94,217	78,191	1,603	-	-	79,794	14,423	10%
	8,329,440,614	1,088,166,184	5,500,000	(49,526,657)	9,373,580,141	1,964,636,835	309,917,469	(44,733,737)	2,918,666	2,232,739,233	7,140,840,908	
Leased												
Heavy vehicles	5,500,000	-	(5,500,000)	-	-	2,273,333	645,333	-	(2,918,666)	-	-	20%
2011	8,334,940,614	1,088,166,184	-	(49,526,657)	9,373,580,141	1,966,910,168	310,562,802	(44,733,737)	-	2,232,739,233	7,140,840,908	

	Cost					Depreciation						
	Cost as at 30 June 2009	Additions	Transfers	Disposals	Cost as at 30 June 2010	Accumulated depreciation as at 30 June 2009	Depreciation charge	Disposal	Transfers	Accumulated depreciation as at 30 June 2010	Net book value as at 30 June 2010	Depreciation rate (% per annum)
	(------Rupees------)					(------Rupees------)						
Owned												
Freehold land	35,171,158	-	-	-	35,171,158	-	-		-	-	35,171,158	-
Factory building	2,190,242,257	239,254,165	-	-	2,429,496,422	255,369,008	95,989,970	-	-	351,358,978	2,078,137,444	5%
Office and other building	37,598,822	4,340,267	-	-	41,939,089	10,698,352	1,363,108	-	-	12,061,460	29,877,629	5%
Housing colony	48,108,904	-	-	-	48,108,904	26,238,407	1,093,526	-	-	27,331,933	20,776,971	5%
Plant, machinery and equipment	5,393,253,672	27,551,205	-	(11,010,010)	5,409,794,867	1,162,125,858	140,673,349	(3,045,281)	-	1,299,753,926	4,110,040,941	5% / units of production
Storage tanks and pipelines	17,187,050	-	-	-	17,187,050	16,010,638	117,642	-	-	16,128,280	1,058,770	10%
Power installations	96,040,124	-	-	-	96,040,124	77,286,056	1,875,407	-	-	79,161,463	16,878,661	10%
Furniture, fixtures and other office equipment	30,384,980	5,333,736	-	(89,120)	35,629,596	15,503,738	1,853,698	(59,350)	-	17,298,086	18,331,510	10%
Computer and printers	9,275,154	2,217,540	-	-	11,492,694	5,852,943	1,286,178	-	-	7,139,121	4,353,573	30%
Weighing scale	5,789,015	-	-	-	5,789,015	1,452,451	433,657	-	-	1,886,108	3,902,907	10%
Light vehicles	72,326,373	1,823,281	-	(6,685,561)	67,464,093	34,255,898	7,474,706	(4,603,820)	-	37,126,784	30,337,309	20%
Heavy vehicles	103,701,650	315,000	-	(5,293,303)	98,723,347	93,897,277	2,008,908	(5,217,881)	-	90,688,304	8,035,043	20%
Railway sidings	9,853,476	-	-	-	9,853,476	7,245,954	130,376	-	-	7,376,330	2,477,146	5%
Laboratory equipments	22,468,562	188,000	-	-	22,656,562	16,662,814	585,057	-	-	17,247,871	5,408,691	10%
Library books	94,217	-		-	94,217	76,410	1,781	-	-	78,191	16,026	10%
	8,071,495,414	281,023,194	-	(23,077,994)	8,329,440,614	1,722,675,804	254,887,363	(12,926,332)	-	1,964,636,835	6,364,803,779	
Leased												
Heavy vehicles	5,500,000	-	-	-	5,500,000	1,466,666	806,667	-	-	2,273,333	3,226,667	20%
2010	8,076,995,414	281,023,194	-	(23,077,994)	8,334,940,614	1,724,142,470	255,694,030	(12,926,332)	-	1,966,910,168	6,368,030,446	

15.2 Depreciation charge for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of goods sold	27	307,954,047	252,825,049
Selling and distribution expenses	28	616,837	1,055,016
Administrative and general expenses	29	1,991,919	1,813,965
		310,562,803	255,694,030

15.3 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	------------------------------------		----------------------------------)		
Heavy Vehicles							
Buldozer Kumatsu	14,084,673	13,120,545	964,128	1,000,000	35,872	Negotiation	Mr. Lal Khan
Cat Dozer	4,408,332	4,080,149	328,183	335,000	6,817	Negotiation	Mr. Lal Khan
Cat Shavel	2,332,500	2,115,443	217,057	225,000	7,943	Negotiation	Mr. Lal Khan
Cat Shavel	2,332,500	2,115,443	217,057	225,000	7,943	Negotiation	Mr. Lal Khan
Excavator Hitachi	2,163,352	2,002,299	161,053	175,000	13,947	Negotiation	Mr. Lal Khan
Tractor Massey Furguson	329,500	226,178	103,322	125,000	21,678	Negotiation	Mr. Lal Khan
Light Vehicles							
Suzuki Alto	669,552	177,654	491,898	669,000	177,102	Insurance claim	EFU
Toyota Corolla Altis	1,309,000	914,024	394,976	600,000	205,024	Negotiation	Mr. Zahid
Suzuki Liana	854,000	521,497	332,503	400,000	67,497	Negotiation	Mr. Muhammad Iqbal
Suzuki Liana	854,000	560,947	293,053	378,924	85,871	Company policy	Mr. Abdul Hakeem
Suzuki Liana	854,000	560,947	293,053	378,924	85,871	Company policy	Mr. Aashiq Ali
KIA Classic	466,322	312,085	154,237	250,000	95,763	Negotiation	Mr. Fareed Khan
Kia Classic NGV	514,000	409,799	104,201	177,482	73,281	Company policy	Mr. Riaz
Plant and Machinery							
Survey equipment	658,530	204,167	454,363	280,000	(174,363)	Negotiation	Mr. Yasir Khan
Others							
Assets with book value of less than Rs. 50,000	17,696,396	17,412,560	283,836	591,742	307,906	Negotiation	
2011	49,526,657	44,733,737	4,792,920	5,811,072	1,018,152		
2010	23,077,994	12,926,332	10,151,662	6,858,041	(3,293,621)		

16 Capital work-in-progress

	2011 Rupees	2010 Rupees
Civil works	-	313,618,986
Plant, machinery and equipment	-	457,393,732
Advances to plant suppliers	-	1,879,147
Stores held for capital expenditure	-	2,003,389
Borrowing costs	-	86,468,085
	-	861,363,339

17 Intangible asset

	Note	2011 Rupees	2010 Rupees
Cost	17.1	3,990,238	3,533,944
Less: Accumulated amortization	17.2	(1,634,275)	(946,291)
		2,355,963	2,587,653

17.1 Cost

	2011 Rupees	2010 Rupees
Balance as at 01 July	3,533,944	3,105,952
Add: Additions during period	456,294	427,992
Balance as at 30 June	3,990,238	3,533,944

17.2 Accumulated amortisation

	2011 Rupees	2010 Rupees
Balance as at 01 July	946,291	416,040
Add: Amortization for the year	687,984	530,251
Balance as at 30 June	1,634,275	946,291

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

18 Long term loans and advances

	Note	2011 Rupees	2010 Rupees
Loans to employees - secured, considered good	18.1	635,808	984,506
Less: Receivable within one year	24.1	(429,754)	(352,220)
		206,054	632,286
Loan to Sui Northern Gas Pipelines Limited (SNGPL)	18.2	28,200,000	32,900,000
Less: Receivable within one year	24	(4,700,000)	(4,700,000)
		23,500,000	28,200,000
		23,706,054	28,832,286

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

	2011 Rupees	2010 Rupees
Balance as at 01 July	984,506	791,901
Disbursements during the year	144,000	795,294
Recovered during the year	(492,698)	(602,689)
Balance as at 30 June	635,808	984,506

These loans carry mark up at the rate ranging from 5 to 10 % (2010: 5 to 10%) per annum. These are secured against lien on retirement benefits and are repayable in 60 equal monthly installments. Chief Executive, directors and executives have not taken any loan/ advance from the Company (2010 : Nil).

18.2 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% (2010: 1.5%) per annum and is received annually. This amount is receivable in 6 annual installments of Rs. 4.7 million each ending in March 2017.

19 Long term deposits

	Note	2011 Rupees	2010 Rupees
Leasing companies		-	550,000
Others		3,879,440	4,847,440
		3,879,440	5,397,440

20 Stores, spares and loose tools

	Note	2011 Rupees	2010 Rupees
Stores	20.1	639,240,488	373,166,602
Spares		208,806,245	263,318,230
Loose tools		2,524,465	1,515,595
		850,571,198	638,000,427

20.1 These includes stores in transit valuing Rs. 415.3 million (2010: Rs. 59.5 million)

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

21 Stock in trade

	Note	2011 Rupees	2010 Rupees
Raw materials		8,759,981	15,322,700
Work in process		315,358,799	159,419,277
Finished goods		51,815,710	94,624,070
Packing material		131,592,843	21,067,010
		507,527,333	290,433,057

22 Trade debts

	Note	2011 Rupees	2010 Rupees
Considered good			
- Secured		-	10,535,711
- Un-secured	22.1	12,567,298	9,474,422
		12,567,298	20,010,133

22.1 No amount is receivable from related parties during the current year (2010: Nil).

23 Investments

	Note	2011 Rupees	2010 Rupees
Available-for-sale			
Gharibwal Cement Limited			
4,600,000 (2010: Nil) fully paid ordinary shares of Rs 10 each		20,168,100	-
Market value Rs. 36.156 million (2010: Nil)			
Add: fair value adjustment		15,987,900	-
		36,156,000	-

24 Advances, deposits, prepayments and other receivables

	Note	2011 Rupees	2010 Rupees
Advances - unsecured, considered good			
- to employees	24.1	1,456,523	931,457
- to suppliers		17,433,556	31,210,206
- to contractors		768,982	8,480,249
		19,659,061	40,621,912
Advance income tax		48,690,554	96,536,938
Sales tax and custom duty paid under protest	14.1 (v) & 24.2	41,277,678	9,182,656
Letters of credit in process		2,089,509	1,950,653
Letter of credit/guarantee margin		156,835,080	22,347,730
Prepayments		531,355	2,332,393
Security deposits		43,265,634	40,961,732
Other advances and receivables	24.3	151,607,369	186,606,159
Current portion of loan given to SNGPL	18.2	4,700,000	4,700,000
Rebate receivable on export sales		37,458,673	25,463,119
		506,114,913	430,703,292

24.1 Advances to Company's employees

	Note	2011 Rupees	2010 Rupees
Current maturity of long term loans to employees	18	429,754	352,220
Others	24.1.1	1,026,769	579,237
		1,456,523	931,457

24.1.1 No advances were given to executives, directors and Chief Executive of the Company during the year (2010: Rs. Nil).

24.2 Additional Commissioner of Inland Revenue while disposing off contravention report of Senior Auditor created a sales tax demand of Rs. 9,182,656 along with default surcharge of Rs. 3,718,975 on account of alleged inadmissible adjustment of input sales tax of Rs. 9,182,656 in contravention of SRO 389(I)/2006 dated 27 April 2006. Commissioner of Inland Revenue turned down the appeal filed by the Company against the impugned order against which the Company has filed an appeal before the Appellate Tribunal

Inland Revenue which is pending adjudication. Based on legal opinion management of the Company is hopeful for a favourable outcome of this appeal. However, the Company has deposited the principal amount of Rs. 9.18 million under protest.

24.3 This includes an amount of Rs. 230.809 million (2010: Rs. 229.602 million) equivalent to USD 2,682,270 (2010: USD 2,682,270) net off Rs. 79.984 (2010: Rs. 42.987 million) being provision for doubt ful receivable 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, which 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 this amount. The Company also withheld retention money of Rs. 150.826 million (2010: 143.092 million) of supplier till the resolution of this matter as referred in note 7.3.

25 Cash and bank balances

	Note	2011 Rupees	2010 Rupees
Cash in hand		**637,634**	899,500
Cash at bank			
- Current accounts		**15,431,715**	23,834,339
- Saving accounts	25.1	**24,612,385**	3,287,894
		40,044,100	27,122,233
		40,681,734	28,021,733

25.1 These carry mark-up @ 5% (2010: 5%) per annum.

26 Sales

	2011 Rupees	2010 Rupees
Local sales - gross	**6,549,579,828**	3,931,672,014
Less: Sales tax	**940,682,143**	538,762,180
Excise duty	**773,592,050**	626,187,730
Special excise duty	**75,473,719**	27,410,921
	1,789,747,912	1,192,360,831
	4,759,831,916	2,739,311,183
Export sales	**1,517,842,187**	1,062,882,269
	6,277,674,103	3,802,193,452
Less: Rebate on cement	**(192,239,586)**	(110,155,034)
	6,085,434,517	3,692,038,418

27 Cost of goods sold

	Note	2011 Rupees	2010 Rupees
Raw and packing materials consumed	27.1	807,116,081	568,942,559
Power and fuel		1,039,326,848	683,124,006
Coal, gas and furnace oil		2,556,698,188	1,651,773,277
Coal unloading and feeding charges		3,392,671	2,610,680
Stores and spares consumed		295,319,405	108,552,224
Salaries, wages and other benefits	27.2	85,763,651	74,255,517
Royalty and excise duty		72,694,281	54,366,781
Rent, rates and taxes		9,135,849	11,812,574
Repairs and maintenance		43,583,024	31,155,007
Insurance		15,118,504	15,845,616
Depreciation	15.2	307,954,047	252,825,049
Other expenses		35,655,426	32,950,264
		5,271,757,975	3,488,213,554
Opening work-in-process		159,419,277	80,897,691
Less: Closing work-in-process		(315,358,799)	(159,419,277)
Cost of goods manufactured		5,115,818,453	3,409,691,968
Opening stock of finished goods		94,624,070	22,948,666
		5,210,442,523	3,432,640,634
Closing stock of finished goods		(51,815,710)	(94,624,070)
		5,158,626,813	3,338,016,564
Less: Cost attributable to own cement consumption		(324,199)	(2,998,672)
		5,158,302,614	3,335,017,892

27.1 This amount is exclusive of duty draw back on exports of Rs. 12.2 million (2010: Rs. 9.4 million).

27.2 Salaries, wages and other benefits include Rs. 0.708 million and Rs. 2.277 million (2010: Rs. 0.711 million and Rs. 1.423 million) in respect of provident fund contribution and employees' gratuity fund respectively.

28 Selling and distribution expenses

	Note	2011 Rupees	2010 Rupees
Salaries, wages and other benefits	28.1	**13,182,791**	10,892,439
Vehicle running		**1,543,718**	1,599,443
Travelling and conveyance		**1,507,598**	906,674
Printing and stationery		**804,454**	676,857
Postage, telephone and telegrams		**931,429**	961,351
Entertainment		**526,189**	416,483
Rent, rates and taxes		**734,390**	820,574
Electricity, water and gas		**218,135**	178,187
Sales promotion		**2,333,229**	2,315,818
Depreciation	15.2	**616,837**	1,055,016
Cement loading charges		**10,472,548**	8,384,229
Freight and handling charges on exports		**8,167,032**	27,644,068
Miscellaneous		**160,784**	394,544
		41,199,134	56,245,683

28.1 Salaries, wages and other benefits include Rs. 0.146 million and Rs. 0.347 million (2010: Rs. 0.121 million and Rs. 0.185 million) in respect of provident fund contribution and employees' gratuity fund respectively.

29 Administrative and general expenses

	Note	2011 Rupees	2010 Rupees
Salaries, wages and other benefits	29.1	**22,147,411**	14,783,125
Vehicle running		**718,049**	499,516
Traveling and conveyance		**536,387**	430,330
Printing and stationery		**1,778,906**	1,706,482
Legal and professional	29.2	**4,617,088**	3,003,212
Postage, telephone and telegrams		**1,267,446**	1,417,319
Repairs and maintenance		**7,801,229**	6,262,822
Rent, rates and taxes		**1,056,268**	655,920
Electricity, water and gas		**2,457,195**	2,112,863
Entertainment		**1,567,014**	1,277,779
Auditor's remuneration	29.3	**695,000**	645,000
Depreciation	15.2	**1,991,919**	1,813,965
Amortization		**687,984**	530,251
Advertisement		**219,690**	329,834
Miscellaneous		**1,303,430**	475,173
		48,845,016	35,943,591

29.1 Salaries, wages and other benefits include Rs. 0.222 million and Rs. 0.557 million (2010: Rs. 0.187 million and Rs. 0.289 million) in respect of provident fund contribution and employees' gratuity fund respectively.

29.2 Legal and professional charges include remuneration to cost auditor Rs. 0.065 million (2010: Rs. 0.045 million).

29.3 Auditor's remuneration

	Note	2011 Rupees	2010 Rupees
Statutory audit		550,000	500,000
Half year review		100,000	100,000
Out of pocket expenses		45,000	45,000
		695,000	645,000

30 Other operating expenses

	Note	2011 Rupees	2010 Rupees
Donations	30.1	3,338,000	682,000
Workers' profit participation fund		6,620,043	-
Workers' welfare fund		-	860,137
Exchange fluctuation loss - net		6,526,472	-
Loss on disposal of property, plant and equipment	15.3	-	3,293,621
		16,484,515	4,835,758

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

31 Other operating income

	Note	2011 Rupees	2010 Rupees
Income from financial assets			
Profit/mark-up on bank deposits		2,917,754	1,842,883
Profit/mark-up on SNGPL Loan		475,926	686,995
Income from non-financial assets			
Income from sale of scrap		1,007,768	5,137,477
Gain on disposal of property, plant and equipment	15.3	1,018,152	-
Exchange fluctuation gain - net		-	11,557,787
Insurance claim		13,200,000	-
Miscellaneous		1,804,875	3,985,764
		20,424,475	23,210,906

32 Finance cost

	Note	2011 Rupees	2010 Rupees
Interest/mark-up on:			
Liabilities against assets subject to finance lease		154,403	434,271
Short term borrowings	32.1	141,187,125	123,545,937
Long term finances		536,417,971	526,747,221
Workers' profit participation fund		-	60,081
Default surcharge on FED and sales tax liability		23,383,149	6,854,304
Bank charges, commission and others		14,104,258	7,802,197
		715,246,906	665,444,011

32.1 Finance cost amounting to Rs. 45.359 million (2010: Rs. 97.800 million) has been capitalized during the year using weighted average capitalization rate of 13.93% (2010: 15.01%).

33 Taxation

	Note	2011 Rupees	2010 Rupees
For the year			
Current	33.1	65,294,366	24,473,951
Deferred		(3,229,530)	(78,934,420)
		62,064,836	(54,460,469)

33.1 Current

(i) 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 of Inland Revenue (Appeals) has turned down the appeal filed by the Company against the aforesaid order. However, the management disputes the ATIR as well as CIR (Appeals) decision and has filed a reference application with the Honorable High Court, Lahore against the order of ATIR and has also filed appeal with ATIR against order of CIR (Appeals) which are pending adjudication.

(ii) The DCIR has passed order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2007 without giving the Company opportunity of being heard and has created an alleged demand of Rs. 67.026 million. The Company being aggrieved has filed an appeal before CIR (Appeals) which is pending adjudication.

(iii) Deputy Commissioner of Inland Revenue (DCIR) vide its order dated 26 May 2009 has rejected the Company's claim for adjustment of refunds against its tax liability and levied additional tax of Rs. 2.5 million U/S 205(1) of the Income Tax Ordinance, 2001, pertaining to tax year 2006, due to short payment of tax along with return. The management, being aggrieved with the order of the DCIR filed an appeal to the CIR (Appeals) which was decided against the company. However, the Company has filed an appeal before the ATIR, which is pending adjudication.

(iv) The Additional Commissioner of Inland Revenue (ACIR) while ammending assessment under section 122 (5A) of the Income Tax Ordinance, 2001 related to tax year 2005, has created 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. The Company has filed an appeal before Commissioner of Inland Revenue (Appeals), which is pending adjudication.

(v) The 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. The Company being aggrieved has filed an appeal before Commissioner Inland Revenue (Appeals).

The Company's management is confident of a favorable outcome in respect of the above cases and accordingly no provision has been made in these financial statements for the above stated demands.

33.2 The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of 1% (2010: 0.5%) of turnover form local sales. 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.

33.3 Since the Company is liable to pay minimum tax, therefore, no numerical tax reconciliation is given.

34 Earnings/(loss) per share - basic and diluted

34.1 Earnings/(loss) per share - Basic

		2011	2010
Earnings/(loss) for the year after taxation	**Rupees**	**63,715,971**	(327,777,142)
Weighted average number of ordinary shares in issue during the year	**Numbers**	**128,757,241**	128,757,241
Earnings/(loss) per share - basic	**Rupees**	**0.49**	(2.55)

34.2 Earnings/(loss) per share - Diluted

There is no dilution effect on the basic earnings/(loss) per share as the Company does not have any convertible instruments in issue as at 30 June 2011 and 30 June 2010.

35 Cash and cash equivalents

	Note	2011 Rupees	2010 Rupees
Cash and bank balances	25	40,681,734	28,021,733
Short term running finances	12	(762,856,418)	(942,508,256)
		(722,174,684)	(914,486,523)

36 Operating segments

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

36.1 Sale from grey and white cement represents 100% and 0% (2010: 99.61% and 0.39%) of total revenue of the Company respectively.

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

	2011 %	2010 %
Pakistan	78.22	74.16
Afghanistan	21.44	24.00
Others	0.34	1.84
	100	100

36.3 All assets of the Company as at 30 June 2011 are located in Pakistan.

37 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.

37.1 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 and loans to/due from related parties. Out of the total financial assets of Rs. 496.450 million (2010: Rs. 340.924 million) financial assets which are subject to credit risk amount to Rs. 495.812 million (2010: Rs. 340.025 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.

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:

	2011 Rupees	2010 Rupees
Long term loans, advances	**23,706,054**	28,832,286
Long term deposits	**3,879,440**	5,397,440
Trade debts	**12,567,298**	20,010,133
Advances, deposits and other receivables	**415,615,326**	258,662,467
Bank balances	**40,044,100**	27,122,233
	495,812,218	340,024,559

The trade debts as at the balance sheet date are classified as follows:

	2011 Rupees	2010 Rupees
Foreign	-	-
Domestic	12,567,298	20,010,133
	12,567,298	20,010,133

The aging of trade receivables at the reporting date is:

	2011 Rupees	2010 Rupees
Past due 1 - 3 Months	3,973,547	12,203,298
Past due 4 - 6 Months	-	89,906
Past due 7 - 10 Months	5,822,056	1,649,159
Past due 11 - 12 Months	-	-
Past due above one year	2,771,695	6,067,770
	12,567,298	20,010,133

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.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will encouter difficuilty in meeting its obligations arising from financial liabilities that are setelled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantages 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.

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
Non derivative financial liabilities						
Long term finances - secured	15,050,000	25,000,000	3,536,870,000	-	-	**3,576,920,000**
Security deposits						
and retention money	-	22,449,274	163,656,829	-	-	**186,106,103**
Trade and other payables	791,785,855	-	-	-	-	**791,785,855**
Mark up payable	433,182,170	-	311,496,045	-	-	**744,678,215**
Derivative financial liabilities						
Interest rate swaps	-	-	187,420,429	-	-	**187,420,429**
2010-2011	**1,240,018,025**	**47,449,274**	**4,199,443,303**	**-**	**-**	**5,486,910,602**

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
Non derivative financial liabilities						
Long term finances - secured	403,874,998	190,458,427	3,049,320,000	-	-	3,643,653,425
Lease finance liabilities	969,993	1,066,720	-	-	-	2,036,713
Security deposits						
and retention money	-	37,713,722	155,923,337	-	-	193,637,059
Trade and other payables	365,729,925	-	-	-	-	365,729,925
Mark up payable	504,895,065	-	54,010,026	-	-	558,905,091
Derivative financial liabilities						
Interest rate swaps	-	-	202,024,046	-	-	202,024,046
2009-2010	1,275,469,981	229,238,869	3,461,277,409	-	-	4,965,986,259

37.3 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.

37.4 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 currency risks. The Company's exposure to foreign currency risk for US Dollars is as follows:

	Note	2011 Rupees	2010 Rupees
USD			
Foreign debtors			
Compensation receivable from TCDRI		(150,825,637)	(186,079,002)
Foreign creditors		371,193,678	-
Long term retention money		106,702,000	106,144,030
Derivative financial instruments - liability		187,420,429	202,024,046
Outstanding import letters of credit		32,415,207	462,831,638
Net exposure		546,905,677	584,920,712

Company's exposure to foreign currency risk for Euro is as follows:

	2011	2010
Euro		
Long term retention money	44,123,637	36,948,114
Outstanding import letters of credit	44,195,200	9,123,768
Net exposure	88,318,837	46,071,882

The following significant exchange rates have been applied:

	Reporting date rate	
	2011	2010
USD to PKR - Buy	86.05	85.60
USD to PKR - Sell	85.85	85.40
Euro to PKR- Buy	124.89	104.58
Euro to PKR- Sell	124.60	104.33

	Average rate	
	2011	2010
USD to PKR	86.23	84.17
Euro to PKR	124.09	116.28

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 loss for the year would have been decreased by Rs. 7.063 million (2010: Rs. 7.97 million). The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax loss.

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

37.5 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:

	2011	2010	2011	2010
	Effective rate (In Percentage)		Carrying Amount (Rupees in 000)	
Financial liabilities				
Variable rate instruments				
Long term finances - PKR	14.85%	14.45%	3,576,920,000	3,643,653,425
Liabilities against assets subject to finance lease	17.33%	17.33%	-	2,036,713
Short term borrowings - PKR	13.93%	15.01%	1,363,678,773	1,406,895,249

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. 49.406 million (2010: Rs. 50.525 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.

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). Equity price risk arises from available-for-sale equity securities held. The Company has not conducted any investment related businesses during the year, therfore, the Company is not exposed to other price risks.

37.6 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

37.7 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 2011 and at 30 June 2010 were as follows:

		2011	2010
Total debt	Rupees	4,940,598,773	5,052,585,387
Total equity and debt		7,043,414,910	7,013,555,258
Debt-to-equity ratio		70%	72%

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.

38 Remuneration of Chief Executive and Directors

	Chief Executive		Directors	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	2,400,000	1,200,000	3,600,000	2,100,000
Medical reimbursement	1,190,194	186,000	10,500	-
	3,590,194	1,386,000	3,610,500	2,100,000
Number of persons	1	1	2	2

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

39 Transactions with related parties

The related parties comprise associated companies, directors of the Company, key management staff and staff retirement funds. 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 38. Other significant transactions with related parties are as follows:

	Note	2011 Rupees	2010 Rupees
Contribution to provident fund		**1,260,799**	1,116,394
Contribution to gratuity fund		**795,340**	1,854,355
Donation to Kohat Cement Co. Ltd. Education Trust	39.1	**827,370**	698,239

39.1 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.

40 Capacity and production

	Plant Capacity		Actual Production	
	2011	2010	**2011**	2010
Clinker				
Grey (M Tons)	**2,550,000**	2,550,000	**1,363,820**	1,173,915
White (M Tons)	**135,000**	135,000	**-**	-
Cement				
Grey (M Tons)	**2,805,000**	2,805,000	**1,472,479**	1,225,188
White (M Tons)	**148,500**	148,500	**-**	4,050

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 is based on 300 days.

41 Date of authorization for issue

These financial statements were authorized for issue on October 04, 2011 by the board of directors of the Company.

42 Corresponding figures

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

CHIEF EXECUTIVE **DIRECTOR**

Lahore: October 04, 2011

KEY FINANCIAL DATA FOR LAST 8 YEARS

	2011	2010	2009	2008	2007	2006	2005	2004
Trading Results								
Quantitative data (000 M.Tonnes):								
Capacity:								
Clinker:								
- Grey	2550	2550	1880	540	540	540	540	540
- White	135	135	135	135	135	135	-	-
Cement:								
- Grey	2805	2805	1974	567	567	567	567	567
- White	149	149	142	142	142	142	-	-
Production:								
Clinker:								
- Grey	1364	1,174	713	429	506	554	531	498
- White	-	-	19	19	23	16	-	-
Cement:								
- Grey	1472	1,225	782	450	529	555	562	531
- White	-	4	20	21	22	15	-	-
Dispatches - cement:								
- Grey	1494	1,192	778	452	524	557	560	535
- White	-	5	21	20	23	14	-	-
Financial data (Rs. 000):								
Turnover	6,085,435	3,692,038	3,395,581	1,371,792	1,553,733	2,327,238	1,715,427	1,397,871
Gross profi	927,132	357,021	804,559	87,402	343,267	1,199,662	664,223	495,537
Operating profi	837,088	264,831	662,974	21,629	278,226	1,145,849	615,203	450,927
Profit/(loss) before tax, interest & VSS	841,028	283,206	693,901	36,649	346,210	1,093,522	584,153	419,649
Profit/(loss) before tax	125,781	(382,238)	21,184	(279,573)	327,841	1,039,424	560,949	395,274
Profit/(loss) after tax	63,716	(327,777)	27,093	(222,439)	248,368	789,867	386,501	292,657
BALANCE SHEET (Rs. 000)								
Shareholders equity	2,102,816	1,960,970	2,271,547	2,329,129	2,339,656	2,283,940	1,081,732	695,231
Fixed capital expenditure	7,140,841	7,229,394	6,937,818	6,248,720	5,258,260	2,079,393	1,119,880	905,470
Net current assets/(liabilities)	(856,921)	(1,835,304)	(1,300,717)	(683,869)	642	556,588	164,551	67,535
Long term liabilities	3,887,947	3,407,267	3,305,756	3,122,560	2,810,116	245,309	119,242	191,176
Deferred liabilities	323,098	62,670	101,198	155,733	158,740	161,268	104,240	105,590
RATIO ANALYSIS								
Gross profit ratio %	15.24	9.67	23.69	6.37	22.09	51.55	38.72	35.45
Profit before tax ratio %	2.07	(10.35)	0.62	(20.38)	21.10	44.66	32.70	28.28
Profit after tax ratio %	1.05	(8.88)	0.80	(16.22)	15.99	33.94	22.53	20.94
Operating fixed assets turnover ratio %	85.22	57.98	53.45	145.71	151.80	269.01	295.25	231.81
Return on capital employed %	12.34	6.22	12.32	(3.09)	6.21	31.37	58.12	52.65
Debt : equity ratio	70.30	72 : 28	69 : 31	67 : 33	55 : 45	10 : 90	10 : 90	22 : 78
Current ratio	0.70	0.43	0.56	0.66	1.00	2.44	1.47	1.16
Interest coverage ratio	1.18	0.42	1.26	(4.71)	1.23	20.21	25.17	17.22
BREAK UP VALUE PER SHARE OF RS. 10 EACH (Rs.)	16.33	15.23	17.64	19.90	22.99	24.68	21.92	21.13
EARNING/ (LOSS) PER SHARE (Rs.)	0.49	(2.55)	0.21	(1.73)	2.12	9.06	4.50	5.93
DIVIDENDS								
Cash (Rs. 000)	-	-	-	-	-	-	-	98,700
%Age	-	-	-	-	-	-	-	30
Bonus Shares								
%Age	-	-	-	10	15	10	50	50

Pattern of Shareholding as at 30 June 2011

No. of Shareholders	Shareholdings From	Shareholdings To	No. of Shares Held
257	1	100	11,341
660	101	500	205,981
647	501	1,000	541,658
963	1,001	5,000	2,308,268
190	5,001	10,000	1,460,084
60	10,001	15,000	775,621
33	15,001	20,000	606,161
29	20,001	25,000	668,435
18	25,001	30,000	511,526
14	30,001	35,000	464,409
11	35,001	40,000	417,334
9	40,001	45,000	390,623
9	45,001	50,000	443,153
1	50,001	55,000	55,000
3	55,001	60,000	172,886
1	60,001	65,000	61,504
2	65,001	70,000	136,000
4	75,001	80,000	310,542
1	80,001	85,000	82,000
2	90,001	95,000	182,800
6	95,001	100,000	592,616
2	115,001	120,000	238,783
1	120,001	125,000	120,827
1	125,001	130,000	130,000
1	130,001	135,000	130,278
2	135,001	140,000	274,099
1	140,001	145,000	142,725
1	155,001	160,000	156,000
1	160,001	165,000	160,726
1	165,001	170,000	170,000
1	170,001	175,000	175,000
1	175,001	180,000	180,000
1	180,001	185,000	183,360
1	185,001	190,000	187,400
1	190,001	195,000	191,725
1	195,001	200,000	198,825
2	205,001	210,000	415,925
1	230,001	235,000	232,325
1	245,001	250,000	245,503
1	250,001	255,000	253,050
1	265,001	270,000	267,675
2	270,001	275,000	548,444
1	300,001	305,000	304,046
1	305,001	310,000	305,500
1	310,001	315,000	310,010
2	320,001	325,000	648,467
1	355,001	360,000	358,000
1	370,001	375,000	375,000
1	375,001	380,000	376,357
1	395,001	400,000	395,945
1	445,001	450,000	448,736
1	450,001	455,000	453,647
1	475,001	480,000	479,941
2	495,001	500,000	1,000,000
1	500,001	505,000	505,000
1	530,001	535,000	531,500
1	535,001	540,000	538,240
1	605,001	610,000	607,200
1	620,001	625,000	625,000
1	840,001	845,000	840,117
1	925,001	930,000	925,768
1	1,070,001	1,075,000	1,072,877
1	1,075,001	1,080,000	1,076,236
1	1,190,001	1,195,000	1,191,012
1	1,655,001	1,660,000	1,660,000
2	1,755,001	1,760,000	3,520,000
1	1,895,001	1,900,000	1,896,112
1	2,445,001	2,450,000	2,449,923
2	2,775,001	2,780,000	5,550,078
1	6,845,001	6,850,000	6,848,156
1	7,075,001	7,080,000	7,078,005
1	9,055,001	9,060,000	9,056,735
1	12,365,001	12,370,000	12,365,178
1	22,560,001	22,565,000	22,562,609
1	27,400,001	27,405,000	27,401,234
2982			**128,757,241**

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their Spouse and Minor Children	73,869,638	57.37%
Associated Companies, Undertakings & Related Parties	34,438	0.03%
NIT & ICP	247,667	0.19%
Banks, Development Finance Institution, and Non-Banking Finance Institutions	503,312	0.39%
Modarbas and Mutual Funds	6,325	0.00%
Insurance Companies	-	0.00%
Share holders holding 10%	71,385,756	55.44%
General Public		
a) Local	50,422,627	39.16%
b) Foreign	7,656	0.01%
Others		
i) Ghani Glass Emplyoee Provident Fund	10,000	0.01%
ii) Joint Stock Companies	2,601,480	2.02%
iii) KCCL Employees Trust	925,768	0.72%
iv) Al-Bader Welfare Trust	21,125	0.02%
v) Artal Resturants Int. Employee Provident Fund	2,783	0.00%
vi) Wah Nobel P. Ltd, Management Staff Provident Fund	6,957	0.01%
vii) Kohat Cement Educational Trust	97,465	0.08%

Lahore: October 04, 2011

CHIEF EXECUTIVE

Pattern of Shareholding as at 30 June 2011
Additional Information as Required by the Code of Corporate Governance

	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
I	**Assiciated Companies, Undertakings & Related Parties**	**1**	**34,438**
	Tariq Motors (Private) limited	1	34,438
II	**NIT AND ICP**	**2**	**247,667**
	National Bank of Pakistan-Trustee Department, NI(U)T FUND	1	245,503
	Investment Corporation of Pakistan	1	2,164
III	**Directors, Chief Executive Officer, their Spouse and Minor Children**	**10**	**73,869,638**
	Directors	**7**	**66,148,038**
	Mr. Aizaz Mansoor Sheikh	1	22,562,609
	Mr. Nadeem Atta Sheikh	1	27,401,234
	Mr. Omer Aizaz Sheikh	1	1,660,000
	Mr. Ibrahim Tanseer Sheikh	1	2,775,039
	Mr. Muhammad Atta Tanseer Sheikh	1	2,775,039
	Mrs. Ghazala Amjad	1	7,078,005
	Mrs. Hafsa Nadeem Sheikh	1	1,896,112
	Director's Spouse	**3**	**7,721,600**
	Mr. Capt. Amjad Latif Sheikh H/o Mrs. Ghazala Amjad	1	7,121,600
	Mrs. Shahnaz Aizaz W/o Mr. Aizaz Mansoor Sheikh	1	500,000
	Mrs. Mahnum Omer W/o Mr. Omer Aizaz Sheikh	1	100,000
IV	**Executives**	-	**NIL**
V	**Public Sector Companies and Corporations**	-	**NIL**
VI	**Banks, Development Finance Institution, Non-Banking Finance Institutions, Insurance Companies, Modarbas and Mutual Fund**	4	509,637
VII	**Shareholders Holding Ten Percent or More Voting Interests**	**3**	**71,385,756**
	Mr. Aizaz Mansoor Sheikh	1	22,562,609
	Mr. Nadeem Atta Sheikh	1	27,401,234
	Mrs. Hijab Tariq	1	21,421,913

Aizaz Mansoor

CHIEF EXECUTIVE

KOHAT CEMENT COMPANY LIMITED
FORM OF PROXY
32nd Annual General Meeting

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 **Monday, 31 October 2011 at 10:00 A.M.** at the registered office of the company **Kohat Cement Factory, Rawalpindi Road, Kohat** and at any adjournment thereof.

Signed this____________day of __________2011.

Signature:

Please affix Rupees five revenue stamp

Witnesses:

1. Signature:	_________________	2. Signature:	_________________
Name	_________________	Name	_________________
Address:	_________________	Address:	_________________
	_________________		_________________
NIC or		NIC or	
Passport No.	_________________	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 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.

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AFFIX
CORRECT
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The Company Secretary,

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

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