



**ANNUAL REPORT
2010**



KOHAT CEMENT COMPANY LIMITED

VISION

Widen the spectrum of cement usage in Pakistan.

MISSION

Excel and grow through continuous improvement.

Provide good returns and security to the shareholders.

Fulfill obligations towards employees and Society.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

Board of Directors

Mr. Aizaz Mansoor Sheikh
Chief Executive

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

Audit Committee

Mr. Ibrahim Tanseer Sheikh
Chairman

Mrs. Hafsa Nadeem
Mr. Omer Aizaz Sheikh

Company Secretary

Mohammad Hashim Khan

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) 37552269
Fax: (042) 37576129

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 4084
E-mail: fm@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 31st Annual General Meeting of the shareholders of **Kohat Cement Company Limited** for the financial year ended 30th June 2010 will be held on Saturday, October 30, 2010, at its registered office Kohat Cement Factory, Rawalpindi Road, Kohat at 10:00 A.M., 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, 2010 together with Auditors' and Directors' Reports thereon.
2. To appoint Auditors for the year 2010-2011 and to fix their remuneration.

The present Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retires and being eligible, offers themselves for reappointment.

3. To transact any other business with the permission of the Chair.

(By Order of the Board)



(MOHAMMAD HASHIM KHAN)
COMPANY SECRETARY

Kohat: October 09, 2010

Notes:

1. The register of members and the share transfer books of the Company will be closed from Saturday, October 23, 2010 to Saturday, October 30, 2010 (both days inclusive). Physical transfers / CDS transactions IDs received in order at the share department of the Company, AZM Computer Services (Pvt.) Limited, 24-Ferozpur Road, Mozang Chungi, Lahore, upto the close of business on Friday, October 22, 2010 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, 2010.

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

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

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

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

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

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

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

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

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

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

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



Compliance with code of corporate governance -

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

- The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied except for change in accounting policy as stated in note 2.2 of the financial statements, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements to ensure the true and fair view of the Company's financial position.
- The system of internal control is sound in design

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

Name of director	No. of meetings Attended
Mr. Aizaz Mansoor Sheikh	6
Mr. Nadeem Atta Sheikh	6
Mr. Tariq Atta Sheikh	5
Mrs. Ghazala Amjad	5
Mrs. Hafsa Nadeem	5
Mr. Omer Aizaz Sheikh	5
Mr. Ibrahim Tanseer	3

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

and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls.

- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations wherever applicable to the Company for the year ended June 30, 2010.

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

Outstanding statutory dues - The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in note no. 11 and 33.

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

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

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

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

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

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

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

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

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

Corporate Social Responsibility - We work with Government to meet our legal and social obligations and contribute towards the development of the

economy of the country and during the year contributed Rs. 1.13 billion into Government exchequer on account of direct and indirect taxes and duties.

Our plant is located in the vicinities of Kohat, Khyber Pakhtunkhwa, provides job opportunities for the people of that area. Company has donated towards the rehabilitation of Internally Displaced Persons (IDPs) of Swat.

Company is running free school and hospital at factory site for its staff and their family members.

Company is always looking forward for further initiatives in its Corporate Social Responsibility programs.

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

For and on behalf of the Board



AIZAZ MANSOOR SHEIKH
Chief Executive

Lahore : 30 September 2010



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the Year ended June 30, 2010

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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The three year term of the office of previous Board of Directors was completed and election of Directors for the next term of three years was held wherein all seven retiring directors were elected unopposed. No casual vacancy occurred in the Board during the year.
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 the Chairman and in his absence, 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 2011.
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: September 30, 2010

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 2010.

Lahore: September 30, 2010


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 2010 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, except for the change referred to in note 2.2 with which we concur;

- 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 2010 and of the loss, total comprehensive loss, its 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.

Without qualifying our opinion, we draw attention to note 6.4 of the financial statements which explains the fact that the Company during the year could not fulfill certain principal repayment commitments amounting to Rs. 190 million and could not pay the amount of markup amounting to Rs. 184.57 million for the year in respect of finances obtained from certain financial institutions. The Company is in the process of negotiation with banks for restructuring of these facilities. Banks representing 56% of the outstanding amount have agreed in principal to the Company's restructuring proposal and the Company is hopeful that the agreement will be signed in due course.

KPMG Taseer Hadi & Co.

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

Lahore: September 30, 2010



BALANCE SHEET

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
Authorised share capital			
150,000,000 (2009: 150,000,000) ordinary shares of Rs. 10 each		<u>1,500,000,000</u>	<u>1,500,000,000</u>
Issued, subscribed and paid up capital	4	1,287,572,410	1,287,572,410
Reserves	5	51,278,714	34,078,866
Accumulated profit		<u>622,118,747</u>	949,895,889
		<u>1,960,969,871</u>	<u>2,271,547,165</u>
NON-CURRENT LIABILITIES			
Long term finances - secured	6	3,049,320,000	2,989,387,373
Liabilities against assets subject to finance lease - secured	7	-	2,040,128
Long term security deposits and retention money	8	155,923,337	154,209,127
Deferred liabilities	9	62,669,613	101,197,782
Derivative financial liabilities	10	202,024,046	160,120,433
		<u>3,469,936,996</u>	<u>3,406,954,843</u>
CURRENT LIABILITIES			
Trade and other payables	11	734,312,487	554,458,612
Interest and markup accrued	12	504,895,065	312,801,576
Short term borrowings - secured	13	1,406,895,249	1,398,198,921
Current portion of non-current liabilities	14	596,370,138	680,933,125
		<u>3,242,472,939</u>	<u>2,946,392,234</u>
Contingencies and commitments	15		
		<u>8,673,379,806</u>	<u>8,624,894,242</u>

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



CHIEF EXECUTIVE
Lahore: September 30, 2010

AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	16	6,368,030,446	6,352,852,944
Capital work-in-progress	17	861,363,339	584,965,206
		<u>7,229,393,785</u>	<u>6,937,818,150</u>
Intangible assets	18	2,587,653	2,689,912
Long term loans and advances	19	28,832,286	33,313,347
Long term deposits	20	5,397,440	5,397,440
		<u>7,266,211,164</u>	<u>6,979,218,849</u>
CURRENT ASSETS			
Stores, spares and loose tools	21	638,000,427	841,844,312
Stock in trade	22	290,433,057	139,293,693
Trade debts	23	20,010,133	17,792,165
Advances, deposits, prepayments and other receivables	24	430,703,292	612,373,810
Cash and bank balances	25	28,021,733	34,371,413
		<u>1,407,168,642</u>	<u>1,645,675,393</u>
		<u><u>8,673,379,806</u></u>	<u><u>8,624,894,242</u></u>



DIRECTOR



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 Rupees	2009 Rupees
Sales - net	26	3,692,038,418	3,395,580,759
Cost of goods sold	27	3,341,872,196	2,591,021,469
Gross profit		350,166,222	804,559,290
Selling and distribution expenses	28	56,245,683	111,490,601
Administrative and general expenses	29	35,943,591	30,094,507
		92,189,274	141,585,108
Operating profit		257,976,948	662,974,182
Other operating expenses	30	4,835,758	3,291,944
		253,141,190	659,682,238
Other operating income	31	23,210,906	34,218,809
		276,352,096	693,901,047
Finance cost	32	658,589,707	549,902,638
Loss on derivative financial instrument		-	122,813,948
(Loss) / profit before taxation		(382,237,611)	21,184,461
Taxation	33	(54,460,469)	(5,908,237)
(Loss) / profit after taxation		(327,777,142)	27,092,698
(Loss) / earnings per share - basic and diluted	34	(2.55)	0.21

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



CHIEF EXECUTIVE
Lahore: September 30, 2010



DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Rupees	2009 Rupees
(Loss) / profit after taxation	(327,777,142)	27,092,698
Other comprehensive income		
Fair value adjustment of cash flow hedge	(41,903,613)	(158,869,860)
Re-pricing settlement received from cash flow hedge	45,519,577	33,487,719
Deferred taxation of hedging movements	13,583,864	40,707,461
	17,199,846	(84,674,680)
Other comprehensive income / (loss) for the year - net of taxes		
Total comprehensive loss for the year	(310,577,294)	(57,581,982)

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



CHIEF EXECUTIVE

Lahore: September 30, 2010



DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(382,237,611)	21,184,461
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		255,694,030	161,943,037
Amortization		530,251	416,040
Loss / (profit) on sale of property, plant and equipment		3,293,621	(558,342)
Exchange gain - net		(11,557,787)	(15,534,209)
Provision for staff retirement benefits		1,897,745	1,620,101
Provision for compensated absences		247,202	400,800
Profit/mark-up on bank deposits and advances		(1,842,883)	(8,990,960)
Finance cost		658,589,707	549,902,638
		906,851,886	689,199,105
Operating profit before working capital changes		524,614,275	710,383,566
(Increase)/decrease in current assets			
Stores, spares and loose tools		(37,082,496)	(66,387,730)
Stock in trade		(151,139,364)	35,024,113
Trade debts		(2,217,968)	(2,451,084)
Advances, deposits, prepayments and other receivables		165,497,857	(32,159,248)
Increase in current liabilities			
Trade and other payables		179,853,875	311,244,052
		154,911,904	245,270,103
Cash generated from operations		679,526,179	955,653,669
Finance cost paid		(510,286,275)	(564,951,904)
Contribution to staff retirement benefit		(1,693,075)	(935,718)
Compensated absences paid		(471,763)	(266,754)
Income tax paid		(38,740,231)	(68,620,453)
		(551,191,344)	(634,774,829)
Net cash inflow from operating activities		128,334,835	320,878,840
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(176,135,997)	(733,462,742)
Sale proceeds of property, plant and equipment		6,858,041	1,673,000
Profit/mark-up on bank deposits		2,566,963	8,440,753
Decrease in long term loans and advances		4,481,061	4,828,753
Decrease in long term security deposits		-	(25,000)
Increase in long term deposits		-	(968,000)
Net cash used in investing activities		(162,229,932)	(719,513,236)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from import finance-net		28,187,368	38,199,625
Proceeds from export refinance		398,000,000	-
Proceeds from long term finances		32,102	108,467,898
Repayments of long term finances		(24,999,996)	(46,654,615)
Payment of finance lease liabilities		(1,702,594)	(1,423,006)
Proceeds from derivative financial instrument		45,519,577	33,487,719
Net cash inflow from financing activities		445,036,457	132,077,621
Net Increase/ (decrease) in cash and cash equivalents		411,141,360	(266,556,775)
Cash and cash equivalents at the beginning of the year		(1,325,627,883)	(1,059,071,108)
Cash and cash equivalents at the end of the year	35	(914,486,523)	(1,325,627,883)

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



CHIEF EXECUTIVE
Lahore: September 30, 2010



DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Share Capital	Share Premium	Hedging Reserve	General Reserve	Accumulated Profit	Total
Rupees						
Balance as at 30 June 2008	1,170,520,370	166,756,991	(951,405)	70,000,000	922,803,191	2,329,129,147
11,705,204 ordinary shares of Rs. 10 each issued as bonus shares	117,052,040	(117,052,040)	-	-	-	-
Total comprehensive loss for the year	-	-	(84,674,680)	-	27,092,698	(57,581,982)
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

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



CHIEF EXECUTIVE
Lahore: September 30, 2010



DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2010

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 Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Change in accounting policy

Revised IAS 1 - Presentation of Financial Statements includes non-mandatory changes of the titles of the financial statements. The Company has chosen the option to maintain the existing titles. The standard also introduces a statement of comprehensive income, but allowed presenting a two statement approach with a separate income statement and a statement of comprehensive income, which is the option that the Company has chosen.

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

- A number of new standards and amendments to

standards are not yet effective for the year ended 30 June 2010, and have not been applied in preparing these financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment.

Retrospective application is subject to the transitional requirements in IFRS 2.

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Company's operations.

- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements other than increase in disclosures.

Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a

lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Company's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Right Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a



business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

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 3.18*

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

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

The Company operates a funded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2010, using the "Projected Unit Credit Method".

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's obligation and the fair value of plan assets are amortised over the expected average working lives of the participating employees.

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 16.

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 as referred to in note 7. 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 at the rates mentioned in note 16. 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 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 Dividend

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

3.20 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.



4 Issued subscribed and paid up capital

	Note	2010 Rupees	2009 Rupees
20,749,585	(2009: 20,749,585) ordinary shares of Rs. 10 each fully paid-up in cash	207,495,850	207,495,850
11,230,000	(2009: 11,230,000) ordinary shares of Rs. 10 each issued against consideration other than cash	112,300,000	112,300,000
96,777,656	(2009: 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 (2009: 34,438) ordinary shares of the Company are held by Tariq Motors (Private) Limited - related party.

5 Reserves

Capital Reserves

- Share premium
- Hedging reserve

5.1	49,704,951	49,704,951
5.2	(68,426,237)	(85,626,085)
	(18,721,286)	(35,921,134)

Revenue reserves

- General reserves

70,000,000	70,000,000
51,278,714	34,078,866

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 As referred in note 10, 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.54.007 million (2009: Rs. 40.423 million).

6 Long term finances - secured

	Note	Limit (Rupees in million)	2010 Rupees	2009 Rupees
Pak Oman Investment Company Limited	6.1	50	20,833,425	45,833,421
Standard Chartered Bank (Pakistan) Limited	6.2	108.5	108,500,000	108,467,898
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
			3,643,653,425	3,668,621,319
Less: Current maturity shown under current liabilities			594,333,425	679,233,946
			3,049,320,000	2,989,387,373



- 6.1** This facility was restructured in April 2009. Under the revised terms the balance amount of Rs. 20.833 million (2009: Rs. 45.833 million) is repayable in 10 monthly installments ending on 23 April 2011. Finance carries mark up at the rate of six months KIBOR plus 6% (2009: six months KIBOR plus 6%), payable monthly in arrears. However, 2% prompt payment bonus is paid by the lender provided the installment is paid on or before its due date. The facility is secured by way of first pari passu hypothecation/ equitable mortgage charge over all present and future fixed and current assets of the Company to the extent of Rs. 113.3 million (2009: Rs. 113.3 million) and personal guarantees of two sponsoring directors.
- 6.2** This facility is payable in four equal semi-annual installments starting December 2009. The company could not repay installments due in December 2009 and June 2010 amounting to Rs. 27.125 million each. The finance carries mark up at the rate of six month KIBOR plus 1.5% payable along with principal installment. 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. Subsequent to the balance sheet date the bank has agreed in principal to the Company's request for rescheduling after which this loan is repayable in 12 quarterly installments commencing 30 September 2010.
- 6.3** This facility was rescheduled on 15 February 2010. According to revised terms, a grace period of two and half years has been allowed in principal repayments and now these payments will be paid in 14 quarterly installments commencing September 2012 and will end in December 2015. Markup is charged at the rate of six month KIBOR plus 1.8% for the period from June 2009 to December 2009. Markup for the period December 2009 to December 2011 is charged at the rate of three months KIBOR plus 1.8% (2009: six month KIBOR plus 1.8%) and thereafter mark up shall be charged at the rate of three months KIBOR plus 2.5%. Payment of outstanding mark up of Rs. 178 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 March 2011. The deferred mark up shall be settled along with normal quarterly mark up payments during the period June 2011 to September 2011. Out of the total accrued mark up Rs. 309 million as at balance sheet date, Rs. 255 million is due within next financial year and the balance amount of Rs. 54 million is due 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 (2009: Rs. 3,334 million)
- 6.4** This facility is repayable in 15 quarterly installments starting December 2009, however, the Company could not repay the installments due in December 2009, March 2010 and June 2010 amounting to Rs. 80 million, Rs. 55 million and Rs. 55 million respectively (aggregating to Rs. 190 million) along with the accrued markup of Rs. 184.57 million. Mark up is charged at the rate of six month KIBOR plus 1.8% for the period from 20 December 2008 to 20 December 2009 and thereafter it has been charged at the rate of three months KIBOR plus 1.8% (2009: six month KIBOR plus 1.8%) payable quarterly in arrears. 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 (2009: Rs. 1,520 million).

The Company is currently negotiating for the restructuring of these facilities. Two out of three

members (constituting 56% of the outstanding amount) have agreed in principal to Company's restructuring proposal and the Company is confident that it shall be able to obtain approval from the third member as well and the agreement in this respect will be signed in due course.

7. Liabilities against assets subject to finance lease - secured

Not later than one year

Later than one year but not later than five years

2010		
Minimum lease Payments (MLP)	Finance cost for future period	Present Value of MLP
Rupees	Rupees	Rupees
2,167,375	130,662	2,036,713
-	-	-
<u>2,167,375</u>	<u>130,662</u>	<u>2,036,713</u>

Not later than one year

Later than one year but not later than five years

2009		
Minimum lease Payments (MLP)	Finance cost for future period	Present Value of MLP
Rupees	Rupees	Rupees
2,171,860	472,681	1,699,179
2,178,895	138,767	2,040,128
<u>4,350,755</u>	<u>611,448</u>	<u>3,739,307</u>

The Company has entered into finance lease arrangement with Orix Leasing Pakistan Limited for the lease of earth moving equipment. The outstanding lease liability is repayable in 3 (2009: 7) quarterly installments.

Six months KIBOR plus 500 basis points (2009: Six months KIBOR plus 400 basis points) has been used to work out present value of minimum lease payments. The lease agreement carry renewal option at the end of lease period, however, the Company intends to exercise its

option to purchase leased assets upon completion of lease term. Residual value of the lease has already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by lessee.

The lease liability is secured by way of demand promissory note and personal guarantees of two sponsoring directors, the title of leased assets are registered in the name of leasing company.

8 Long term security deposits and retention money

	Note	2010 Rupees	2009 Rupees
Security deposits - interest free			
From cement stockists	8.1	1,711,100	1,711,100
From cement transporters	8.2	400,000	400,000
		<u>2,111,100</u>	<u>2,111,100</u>
Retention money - interest free	8.3	153,812,237	152,098,027
		<u>155,923,337</u>	<u>154,209,127</u>

8.1 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.

8.2 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.

8.3 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. 143.092 million (2009: 141.377 million) equivalent to USD 1,240,000 and Euro 353,300 (2009: 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)

9 Deferred liabilities

Deferred taxation	9.1	2,463,266	94,981,570
Staff retirement benefits	9.2	4,344,715	4,140,045
Compensated absences	9.3	1,851,606	2,076,167
Deferred mark-up payments	6.3	54,010,026	-
		<u>62,669,613</u>	<u>101,197,782</u>

9.1 Deferred taxation

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

Accelerated tax depreciation		1,058,995,156	909,612,311
Liabilities under finance lease that are deducted for tax purpose only when paid		318,110	74,229
Unrealized loss on derivative financial instrument		(54,007,088)	(40,423,204)
Unused tax losses		(1,002,842,912)	(774,281,766)
		<u>2,463,266</u>	<u>94,981,570</u>

9.2 Staff retirement benefits

Defined benefit plan funded - Gratuity	9.2.1	4,344,715	4,140,045
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9.2.1 Defined benefit plan funded - Gratuity

	Note	2010 Rupees	2009 Rupees
Amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation	9.2.2	9,012,400	9,791,602
Benefits payable to outgoing members		793,130	218,140
Fair value of plan assets	9.2.3	(4,579,881)	(4,175,907)
Unrecognized actuarial losses	9.2.5	(880,934)	(1,693,790)
Liability as at 30 June		4,344,715	4,140,045
Net liability as at 01 July			
Charge to profit and loss account	9.2.4	1,897,745	1,622,132
Contribution by the Company		(1,693,075)	(935,718)
Reversal of amount payable		-	(2,031)
Liability as at 30 June		4,344,715	4,140,045

9.2.2 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at 01 July		9,791,602	8,535,002
Current service cost		1,121,772	914,344
Interest cost		1,174,992	1,024,200
Benefit payments due, but not paid		(758,550)	(204,760)
Benefits paid during the year		(1,509,515)	(534,230)
Actuarial (gain) / loss on present value of defined benefit obligation		(807,901)	57,046
Present value of defined benefit obligation as at 30 June		9,012,400	9,791,602

9.2.3 Movement in fair value of plan assets

Fair value of plan assets as at 01 July		4,175,907	3,726,968
Expected return on plan assets		501,109	447,236
Contribution paid during the year		1,693,075	935,718
Benefits paid during the year		(1,693,075)	(935,718)
Actuarial (loss) / gain on plan assets		(97,135)	1,703
Fair value of plan assets as at 30 June		4,579,881	4,175,907

Plan assets consist of the following:

Term deposit - The Bank of Khyber		4,559,070	3,886,906
Cash at Bank		20,811	289,001
		4,579,881	4,175,907

9.2.4 Charge to profit and loss account

	2010 Rupees	2009 Rupees
Current service cost	1,121,772	914,344
Interest cost	1,174,992	1,024,200
Expected return on plan assets	(501,109)	(447,236)
Actuarial loss	102,090	130,824
	<u>1,897,745</u>	<u>1,622,132</u>

9.2.5 Movement in un-recognised actuarial losses

Un recognised actuarial losses as at 01 July	1,693,790	1,769,271
Actuarial (gain)/loss arising during the year	(710,766)	55,343
Actuarial losses charged to profit during the year	(102,090)	(130,824)
Un recognised actuarial losses as at 30 June	<u>880,934</u>	<u>1,693,790</u>

9.2.6 Actual return on plan assets of funded gratuity scheme was Rs.591.10 thousand (2009: Rs. 448.94 thousand).

9.2.7 Historical information

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined benefit Obligation	9,012,400	9,791,602	8,535,002	32,889,501	34,855,274
Fair value of plan Assets	<u>(4,579,881)</u>	<u>(4,175,907)</u>	<u>(3,726,968)</u>	<u>(32,007,863)</u>	<u>(32,330,544)</u>
Deficit in the plan	<u>4,432,519</u>	<u>5,615,695</u>	<u>4,808,034</u>	<u>881,638</u>	<u>2,524,730</u>
Experience adjustment arising on plan liabilities	(807,901)	57,046	(837,542)	170,383	(2,726,572)
Experience adjustment arising on plan assets	(97,135)	1,703	(1,893,335)	(684,725)	(715,025)

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

	2010 % per annum	2009 % per annum
Discount rate	12	12
Expected rate of return on plan assets	12	12
Expected rate of increase in salary	11	11

Average expected remaining working life time of employees is 7 years (2009: 7 years).

9.2.9 The Company expects to pay Rs. 2.5 million in contributions to defined benefit plan in 2011.

9.3 Compensated absences

	2010 Rupees	2009 Rupees
Balance as at 01 July	2,076,167	1,942,121
Expense recognized	247,202	400,800
Payments made	(471,763)	(266,754)
Balance as at 30 June	<u>1,851,606</u>	<u>2,076,167</u>

10 Derivative Financial Liabilities

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

			2010	Notional Amount Rupees	Fair Value Rupees
	Company receives	Company pays	Maturity		
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

The contract is reprised semi-annually.

			2009	Notional Amount Rupees	Fair Value Rupees
	Company receives	Company pays	Maturity		
Cross Currency Swap Exchange USD 8.4 million	6 months KIBOR	6 month LIBOR plus 1.25%	September 2012	500,000,000	160,120,433



11 Trade and other payables

	Note	2010 Rupees	2009 Rupees
Trade Creditors	11.1	155,589,163	214,589,121
Contractors' bills payable		5,827,989	33,018,631
Accrued liabilities		149,686,096	100,012,010
Advances from cement customers		68,567,085	52,380,402
Workers' profit participation fund	11.2	-	1,137,726
Workers' welfare fund		2,842,878	1,982,741
Payable to Government on account of:			
Income tax deducted at source		15,614,992	888,055
Sales Tax payable		28,537,950	30,048,804
Excise duty on cement		218,789,412	59,680,110
Royalty and excise duty		34,200,245	13,816,745
		297,142,599	104,433,714
Securities and retention money payable	11.3	37,713,722	38,873,804
Unclaimed dividend		1,662,321	1,662,321
Other payables		15,280,634	6,368,142
		<u>734,312,487</u>	<u>554,458,612</u>

11.1 Trade creditors do not include any amount due to related parties (2009: Rs. Nil).

11.2 Workers' profit participation fund

Balance as at 01 July		1,137,726	-
Allocation for the year		-	1,137,726
Interest accrued	32	60,081	-
		<u>1,197,807</u>	<u>1,137,726</u>
Paid during the year		1,197,807	-
Balance as at 30 June		<u>-</u>	<u>1,137,726</u>

11.3 Security and retention money

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

12 Interest and markup accrued

Long term finances		505,735,338	250,119,021
Deferred mark-up payments	6.3	(54,010,026)	-
		451,725,312	250,119,021
Short term borrowings		53,149,337	62,635,434
Liabilities against assets subject to finance lease		20,416	47,121
		<u>504,895,065</u>	<u>312,801,576</u>

13 Short term borrowings - secured

	Note	2010 Rupees	2009 Rupees
Short term running finances	13.1	942,508,256	1,359,999,296
Import finances	13.2	66,386,993	38,199,625
Export refinance	13.3	398,000,000	-
		<u>1,406,895,249</u>	<u>1,398,198,921</u>

13.1 Short term running finances

	Note	Limite (Rupees in million)	2010 Rupees	2009 Rupees
The Bank of Khyber	13.1.1	165	162,644,391	140,977,172
Standard Chartered Bank (Pakistan) Limited	13.1.2	246	191,255,740	623,200,235
KASB Bank Limited	13.1.3	100	97,602,096	99,417,290
Askari Bank Limited	13.1.4	300	296,571,550	296,408,331
Soneri Bank Limited	13.1.5	200	194,434,479	199,996,268
			<u>942,508,256</u>	<u>1,359,999,296</u>

13.1.1 The finance carries mark up at three months KIBOR plus 3% (2009: three months KIBOR plus 3%) with a floor of 13% (2009: 13%) per annum, payable quarterly. The facility is secured by way of first joint pari passu hypothecation charge of Rs. 80 million (2009: Rs. 80 million) on Company's present and future current assets, first joint pari passu charge of Rs. 153.846 million (2009: 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.

13.1.2 The finance carries mark up at three months KIBOR plus 3% (2009: three months KIBOR plus 3%), payable quarterly and is secured by way of first joint pari passu charge of Rs. 500 million (2009: 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.

13.1.3 The finance carries mark up at three months KIBOR plus 2.5% (2009: 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 (2009: Rs. 267 million) and personal guarantees of four directors of the Company.

13.1.4 The finance carries mark up at three months KIBOR plus 2.5% (2009: three months KIBOR plus 2%), 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 (2009: Nil), equitable mortgage



over immovable properties of associated companies to the extent of Rs. 400 million (2009: Rs. 400 million) and personal guarantees of four directors of the Company.

13.1.5 The finance carries mark up at six months KIBOR plus 2% (2009: six months KIBOR plus 1.75%), 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 (2009: Rs. 266.6 million).

13.2 These finance are obtained from different commercial banks and are secured against lien

over import bills / documents under letter of credit. The rates of mark-up range from 18.25% to 20.81% (2009: KIBOR plus 4%).

13.3 This facility is obtained from Standard Chartered Bank (Pakistan) Limited, which carries mark-up at 9% per annum (2009: Nil). 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 (2009: Nil) and personal guarantees of all Directors of the Company.

14 Current portion of non-current liabilities

	Note	2010 Rupees	2009 Rupees
Long term finances	6	594,333,425	679,233,946
Liabilities against assets subject to finance lease	7	2,036,713	1,699,179
		<u>596,370,138</u>	<u>680,933,125</u>

15 Contingencies and commitments

15.1 Contingencies

- (i) The Engineering Services International (Pakistan) Limited raised a claim of Rs 5,449,000 (2009: Rs 5,449,000) against the Company on account of Mechanical Installation/Erection. A counter claim of Rs 1,307,962 (2009: 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 favourable 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 (2009: 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 with the Secretary of Finance, Government of Pakistan.

The Company has initiated proceedings for the recovery of Rs. 14,100,000 (2009: 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

(2009: 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. Nil (2009: 121 million) in favour of Sui Northern Gas Pipelines Limited (SNGPL) in accordance with the terms of agreement between the Company and SNGPL and Rs. 1.68 million (2009: Rs. 1.68 million) in favour 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 (2009: Rs. 68.332 million).

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 (2009: 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. The Company's management is confident for a favorable outcome of this petition.

15.2 Commitments

In respect of :

Letters of credit for capital expenditure
Letters of credit other than capital expenditure

	2010	2009
	Rupees	Rupees
	-	16,914,628
	471,955,406	129,930,511



	Reconciliation of net carrying value				Reconciliation of gross carrying value				
	Net book value		Net book value		Cost		Accumulated depreciation		Depreciation rate (% per annum)
	(NBV) as at 01 July 2008	Additions/ Transfers	Disposals (at NBV)	Depreciation charge	(NBV) as at 30 June 2009	as at 30 June 2009	as at 30 June 2009	as at 30 June 2009	
Rupees									
<i>Owned</i>									
Freehold land	35,171,158	-	-	-	35,171,158	35,171,158	-	35,171,158	-
Factory building	107,111,140	1,892,006,161	-	(64,244,052)	1,934,873,249	2,190,242,257	(255,369,008)	1,934,873,249	5%
Office and other building	4,581,327	23,311,946	-	(992,803)	26,900,470	37,598,822	(10,698,352)	26,900,470	5%
Housing colony	23,021,576	-	-	(1,151,079)	21,870,497	48,108,904	(26,238,407)	21,870,497	5%
Plant, machinery and equipment	690,054,998	3,621,727,083	-	(80,654,267)	4,231,127,814	5,393,253,672	(1,162,125,858)	4,231,127,814	5% - units of production
Storage tanks and pipelines	1,307,125	-	-	(130,713)	1,176,412	17,187,050	(16,010,638)	1,176,412	10%
Power installations	6,440,603	13,064,674	-	(751,209)	18,754,068	96,040,124	(77,286,056)	18,754,068	10%
<i>Furniture, fixtures and other</i>									
office equipment	9,518,861	6,447,629	-	(1,085,248)	14,881,242	30,384,980	(15,503,738)	14,881,242	10%
Computer and printers	2,032,407	2,379,369	-	(989,565)	3,422,211	9,275,154	(5,852,943)	3,422,211	30%
Weighing scale	4,789,155	27,000	-	(479,591)	4,336,564	5,789,015	(1,452,451)	4,336,564	10%
Light vehicles	33,174,724	13,442,153	(1,114,658)	(7,431,744)	38,070,475	72,326,373	(34,255,898)	38,070,475	20%
Heavy vehicles	12,255,466	-	-	(2,451,093)	9,804,373	103,701,650	(93,897,277)	9,804,373	20%
Railway sidings	2,744,760	-	-	(137,238)	2,607,522	9,853,476	(7,245,954)	2,607,522	5%
Laboratory equipments	4,166,450	2,073,421	-	(434,123)	5,805,748	22,468,562	(16,662,814)	5,805,748	10%
Library books	19,786	-	-	(1,979)	17,807	94,217	(76,410)	17,807	10%
	936,389,536	5,574,479,436	(1,114,658)	(160,934,704)	6,348,819,610	8,071,495,414	(1,722,675,804)	6,348,819,610	
<i>Leased</i>									
Heavy vehicles	5,041,667	-	-	(1,008,333)	4,033,334	5,500,000	(1,466,666)	4,033,334	20%
	941,431,203	5,574,479,436	(1,114,658)	(161,943,037)	6,352,852,944	8,076,995,414	(1,724,142,470)	6,352,852,944	
	2009								



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

	Note	2010 Rupees	2009 Rupees
Cost of goods sold	27	252,825,049	160,020,314
Selling and distribution expenses	28	1,055,016	761,874
Administrative and general expenses	29	1,813,965	1,160,849
		<u>255,694,030</u>	<u>161,943,037</u>

16.3 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
Vehicles							
Kia Classic	514,000	379,258	134,742	212,000	77,258	Negotiation	Mr. Farid Khan Niazi
Toyota Corolla	1,169,000	862,554	306,446	400,000	93,554	Negotiation	Mr. Tariq Atta - Director
Toyota Corolla	1,309,000	736,717	572,283	600,000	27,717	Negotiation	Mr. Murtaza Ali Khan
Toyota Corolla	1,169,000	862,554	306,446	400,000	93,554	Negotiation	Mr. Naseer Muhammad
Toyota Corolla	979,000	442,944	536,056	787,841	251,785	Negotiation	Mr. Sohaib Ahmed Siddiqui
Kia Classic	509,000	421,825	87,175	246,000	158,825	Negotiation	Mr. Arshad Sohail
Changan Double Cabin	371,000	236,556	134,444	161,000	26,556	Negotiation	Mr. Khadim Hussain
Wheel Loader	5,058,753	4,984,938	73,815	200,000	126,185	Negotiation	Mr. Shoab Ahmed
Plant and Machinery							
Cement Mixers	4,016,000	1,087,171	2,928,829	1,600,000	(1,328,829)	Negotiation	Mr. Jamshed Khan
Concrete Batch Plant	6,994,010	1,958,110	5,035,900	2,000,000	(3,035,900)	Negotiation	Mr. Nazir Ahmed Abbassi
Others							
Assets with book value of less than Rs. 50,000	989,231	953,705	35,526	251,200	215,674	Negotiation	
2010	<u>23,077,994</u>	<u>12,926,332</u>	<u>10,151,662</u>	<u>6,858,041</u>	<u>(3,293,621)</u>		
2009	<u>2,932,937</u>	<u>1,818,279</u>	<u>1,114,658</u>	<u>1,673,000</u>	<u>558,342</u>		

17 Capital work-in-progress

	Note	2010 Rupees	2009 Rupees
Civil works		313,618,986	158,085,691
Plant, machinery and equipment		457,393,732	356,969,465
Advances to plant suppliers		1,879,147	4,801,634
Stores held for capital expenditure		2,003,389	22,292,339
Borrowing costs	17.1	86,468,085	42,816,077
		<u>861,363,339</u>	<u>584,965,206</u>

17.1 Borrowing costs on general financing used for qualifying assets has been capitalized by using weighted average capitalization rate of 15.01% (2009:16.41%).

18 Intangible asset

		2010 Rupees	2009 Rupees
Cost	18.1	3,533,944	3,105,952
Less: Accumulated amortization	18.2	(946,291)	(416,040)
		<u>2,587,653</u>	<u>2,689,912</u>



18.1 Cost

	Note	2010 Rupees	2009 Rupees
Balance as at 01 July		3,105,952	-
Add: Additions during period		427,992	3,105,952
Balance as at 30 June		<u>3,533,944</u>	<u>3,105,952</u>

18.2 Accumulated amortisation

Balance as at 01 July		416,040	-
Add: Amortization for the year		530,251	416,040
Balance as at 30 June		<u>946,291</u>	<u>416,040</u>

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

19 Long term loans and advances

Loans to employees - secured, considered good	19.1	984,506	791,901
Less: Receivable within one year	24.1	(352,220)	(378,554)
		632,286	413,347
Loan to Sui Northern Gas Pipelines Limited (SNGPL)	19.2	32,900,000	37,600,000
Less: Receivable within one year	24	(4,700,000)	(4,700,000)
		28,200,000	32,900,000
		<u>28,832,286</u>	<u>33,313,347</u>

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

Balance as at 01 July		791,901	975,834
Disbursements during the year		795,294	300,000
Recovered during the year		(602,689)	(483,933)
Balance as at 30 June		<u>984,506</u>	<u>791,901</u>

These loans carry mark up at the rate ranging from 5 to 10 % (2009 : 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 (2009 : Nil).

19.2 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% (2009: 1.5%) per annum and

is received annually. This amount is receivable in 7 annual installments of Rs. 4.7 million each ending in March 2017.



20 Long term deposits

	Note	2010 Rupees	2009 Rupees
Leasing companies		550,000	550,000
Others		4,847,440	4,847,440
		<u>5,397,440</u>	<u>5,397,440</u>

21 Stores, spares and loose tools

Stores	21.1	373,166,602	610,887,895
Spares		263,318,230	230,068,031
Loose tools		1,515,595	888,386
		<u>638,000,427</u>	<u>841,844,312</u>

21.1 These includes stores in transit valuing Rs. 59.5 million (2009: Rs. 70.5 million)

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

22 Stock in trade

Raw materials		15,322,700	13,297,990
Work in process		159,419,277	80,897,691
Finished goods		94,624,070	22,948,666
Packing material		21,067,010	22,149,346
		<u>290,433,057</u>	<u>139,293,693</u>

23 Trade debts

Considered good			
- Secured		10,535,711	2,544,421
- Un-secured	23.1	9,474,422	15,247,744
		<u>20,010,133</u>	<u>17,792,165</u>

23.1 No amount is receivable from related parties during the current year (2009: Nil).

24 Advances, deposits, prepayments and other receivables

	Note	2010 Rupees	2009 Rupees
Advances - unsecured, considered good			
- to employees	24.1	931,457	2,633,984
- to suppliers		31,210,206	55,545,704
- to contractors		8,480,249	9,613,282
		40,621,912	67,792,970
Advance income tax		96,536,938	82,270,658
Sales tax paid under protest	24.2	9,182,656	9,182,656
Letters of credit in process		1,950,653	11,931,909
Letter of credit/guarantee margin		22,347,730	71,761,768
Prepayments		2,332,393	1,113,592
Profit / mark-up receivable on bank deposits		-	724,080
Security deposits		40,961,732	47,262,590
Other advances and receivables	24.3	186,606,159	299,325,082
Current portion of loan given to SNGPL	19.2	4,700,000	4,700,000
Rebate receivable on export sales		25,463,119	16,308,505
		<u>430,703,292</u>	<u>612,373,810</u>

24.1 Advances to Company's employees

Current maturity of long term loans to employees	19	352,220	378,554
Others	24.1.1	579,237	2,255,430
		<u>931,457</u>	<u>2,633,984</u>

24.1.1 No advances were given to executives, directors and Chief Executive of the Company during the year (2009: 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. 229 million (2009: Rs. 217 million) equivalent to USD 2,682,270 (2009: USD 2,682,270) net off Rs 42.987 million (2009: Nil) being provision for doubtful receivable and Rs. Nil (2009: Rs. 80.93 million) equivalent to Euro Nil (2009: Euro 706,600) 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 have 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. Accordingly, cost of related plant and equipment has been reduced. The Company has also withheld retention money of Rs. 143.092 million (2009: 141.377 million) of supplier till the resolution of this matter as referred in note 8.3.



25 Cash and bank balances

	Note	2010 Rupees	2009 Rupees
Cash in hand		899,500	987,902
Cash at bank			
- Current accounts		23,834,339	15,101,435
- Saving accounts	25.1	3,287,894	18,282,076
		27,122,233	33,383,511
		28,021,733	34,371,413

25.1 These carry mark-up @ 5% (2009: 5% to 12.5%) per annum.

26 Sales

Local sales - gross		3,931,672,014	3,649,885,306
Less: Sales tax		538,762,180	500,109,824
Excise duty		626,187,730	522,458,850
Special excise duty		27,410,921	25,956,398
		1,192,360,831	1,048,525,072
		2,739,311,183	2,601,360,234
Export sales		1,062,882,269	873,383,069
		3,802,193,452	3,474,743,303
Less: Rebates on cement		(110,155,034)	(79,162,544)
		3,692,038,418	3,395,580,759

27 Cost of goods sold

Raw and packing materials consumed	27.1	568,942,559	375,463,440
Power and fuel		683,124,006	523,141,909
Coal, gas and furnace oil		1,651,773,277	1,312,975,824
Coal unloading and feeding charges		2,610,680	2,065,593
Stores and spares consumed		108,552,224	53,324,799
Salaries, wages and other benefits	27.2	74,255,517	66,024,350
Royalty and excise duty		54,366,781	18,795,079
Rent, rates and taxes		11,812,574	2,930,542
Repairs and maintenance		31,155,007	29,816,935
Insurance		15,845,616	10,833,389
Depreciation	16.2	252,825,049	160,020,314
Other expenses		39,804,568	24,909,330
		3,495,067,858	2,580,301,504
Opening work-in-process		80,897,691	118,951,663
Less: Closing work-in-process		(159,419,277)	(80,897,691)
Cost of goods manufactured		3,416,546,272	2,618,355,476
Opening stock of finished goods		22,948,666	16,297,744
		3,439,494,938	2,634,653,220
Closing stock of finished goods		(94,624,070)	(22,948,666)
		3,344,870,868	2,611,704,554
Less: Cost attributable to own cement consumption		(2,998,672)	(20,683,085)
		3,341,872,196	2,591,021,469



- 27.1 This amount is exclusive of duty draw back on exports of Rs. 9.4 million (2009: Rs. 5.6 million).
- 27.2 Salaries, wages and other benefits include Rs. 710,616 and Rs. 1,423,313 (2009: Rs. 635,681 and Rs.1,215,071) in respect of provident fund contribution and employees' gratuity fund respectively.

28 Selling and distribution expenses

	Note	2010 Rupees	2009 Rupees
Salaries, wages and other benefits	28.1	10,892,439	9,059,576
Vehicle running		1,599,443	2,245,963
Travelling and conveyance		906,674	857,620
Printing and stationery		676,857	335,466
Postage, telephone and telegrams		961,351	1,085,296
Entertainment		416,483	529,370
Rent, rates and taxes		820,574	943,439
Electricity, water and gas		178,187	163,767
Sales promotion		2,315,818	1,197,400
Depreciation	16.2	1,055,016	761,874
Cement loading charges		8,384,229	5,446,391
Freight and handling charges on exports		27,644,068	88,598,472
Miscellaneous		394,544	265,967
		<u>56,245,683</u>	<u>111,490,601</u>

- 28.1 Salaries, wages and other benefits include Rs. 121,186 and Rs. 185,028 (2009: Rs. 83,310 and Rs. 170,111) in respect of provident fund contribution and employees' gratuity fund respectively.

29 Administrative and general expenses

Salaries, wages and other benefits	29.1	14,783,125	12,435,583
Vehicle running		499,516	1,082,682
Traveling and conveyance		430,330	520,115
Printing and stationery		1,706,482	1,175,718
Legal and professional	29.2	3,003,212	4,466,021
Postage, telephone and telegrams		1,417,319	1,014,457
Repairs and maintenance		6,262,822	2,747,191
Rent, rates and taxes		655,920	994,815
Electricity, water and gas		2,112,863	1,552,943
Entertainment		1,277,779	871,684
Auditor's remuneration	29.3	645,000	517,500
Depreciation	16.2	1,813,965	1,160,849
Amortization		530,251	416,040
Advertisement		329,834	621,845
Miscellaneous		475,173	517,064
		<u>35,943,591</u>	<u>30,094,507</u>



29.1 Salaries, wages and other benefits include Rs.186,917 and Rs. 289,404 (2009: Rs. 136,574 and Rs. 236,950) in respect of provident fund contribution and employees' gratuity fund respectively.

29.2 Legal and professional charges include remuneration to cost auditor Rs. 45,000 (2009: Rs. 35,000).

29.3 Auditor's remuneration

	Note	2010 Rupees	2009 Rupees
Statutory audit		500,000	375,000
Half year review		100,000	100,000
Out of pocket expenses		45,000	42,500
		<u>645,000</u>	<u>517,500</u>

30 Other operating expenses

Donations	30.1	682,000	1,721,882
Workers' profit participation fund		-	1,137,726
Workers' welfare fund		860,137	432,336
Loss on disposal of property, plant and equipment	16.3	3,293,621	-
		<u>4,835,758</u>	<u>3,291,944</u>

30.1 None of the directors of the Company or any of their spouse have any interest in donee's fund except for Rs. 682,000 (2009: Rs. 433,425) paid to Kohat Cement Educational Trust. 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.

31 Other operating income

Income from financial assets			
Profit/mark-up on bank deposits		1,842,883	8,990,960
Profit/mark-up on SNGPL Loan		686,995	634,500
Income from non-financial assets			
Income from sale of scrap		5,137,477	953,358
Profit on sale of property plant and equipment	16.3	-	558,342
Exchange fluctuation gain - net		11,557,787	15,534,209
Miscellaneous		3,985,764	7,547,440
		<u>23,210,906</u>	<u>34,218,809</u>

32 Finance cost

Interest/mark-up on:			
Liabilities against assets subject to finance lease		434,271	786,752
Short term borrowings		123,545,937	137,227,261
Long term finances		526,747,221	400,210,783
Workers' profit participation fund		60,081	-
Bank charges, commission and others		7,802,197	11,677,842
		<u>658,589,707</u>	<u>549,902,638</u>

32.1 Finance cost amounting to Rs. 97.80 million (2009: 277.31 million) has been capitalized during the year.



33 Taxation

	Note	2010 Rupees	2009 Rupees
For the year			
Current	33.1	24,473,951	8,737,780
Deferred		(78,934,420)	(14,646,017)
		<u>(54,460,469)</u>	<u>(5,908,237)</u>

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 Honourable 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) CIR (Appeals) while disposing off the matter relating to profit and loss account add backs, remanded back to it by ATIR pertaining to tax year 2003 in favour of the Company resulting into income tax refund of Rs. 10.7 million. The tax department being aggrieved by this order has filed an appeal before ATIR which is pending adjudication.
- (iii) TO in his impugned order U/S 161/205 of the Income Tax Ordinance, 2001 pertaining to tax year 2007 has created the disputed demand of Rs. 4.5 million on alleged short deduction of tax on payments made to transporters. According to the TO's order the Company was required to deduct tax @ 6% instead of 2 %. However, the Company deducted tax from the payments made to transporters on account of goods transport services @ 2% in accordance with Clause 27 of Part II of Second Schedule to the Income Tax Ordinance, 2001. The Company being aggrieved with the TO's decision had filed an appeal with the CIR (Appeals), which was decided against the Company. The Company disputes the decision of CIR (Appeals), has filed an appeal before ATIR, which is pending adjudication.
- (iv) The TO has passed orders U/S 88 and 89 of the Income Tax Ordinance, 1979, creating an aggregate additional tax demand of Rs. 3.2 million for assessment year 2002-03. The Company's appeal against the aforesaid order was turned down by the the CIR (Appeals). The Company has now filed an appeal before the ATIR, which is pending adjudication.
- (v) 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.

- (vi) The Additional Commissioner of Inland Revenue (ACIR) vide his order dated 30 December 2009 under section 122 (5A) of the Income Tax Ordinance, 2001 related to tax year 2004, has created a demand of Rs 1.63 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.

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 0.5% of turnover from 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 (Loss)/earnings per share - basic and diluted

34.1 (Loss)/earnings per share - Basic

		2010	2009
(Loss) / earnings for the year after taxation	<i>Rupees</i>	<u>(327,777,142)</u>	<u>27,092,698</u>
Weighted average number of ordinary shares in issue during the year	<i>Numbers</i>	<u>128,757,241</u>	<u>128,757,241</u>
(Loss) / earnings per share - basic	<i>Rupees</i>	<u>(2.55)</u>	<u>0.21</u>

34.2 (Loss) / earnings per share - Diluted

There is no dilution effect on the basic earnings per share as the Company does not have any convertible instruments in issue as at 30 June 2010 and 30 June 2009.

35 Cash and cash equivalents

	Note	2010 Rupees	2009 Rupees
Cash and bank balances	25	28,021,733	34,371,413
Short term running finances	13	<u>(942,508,256)</u>	<u>(1,359,999,296)</u>
		<u>(914,486,523)</u>	<u>(1,325,627,883)</u>



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 99.61% and 0.39% (2009: 97.36% and 2.64%) of total revenue of the company respectively.

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

	2010 %	2009 %
Pakistan	74.16	76.46
Afghanistan	24.00	18.29
Others	1.84	5.25
	100.00	100.00

36.3 All assets of the Company as at 30 June 2010 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. 340.924 million (2009: Rs.

461.828 million) financial assets which are subject to credit risk amount to Rs. 340.025 million (2009: Rs. 460.84 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:

	2010 Rupees	2009 Rupees
Long term loans, advances	28,832,286	33,313,347
Long term deposits	5,397,440	5,397,440
Trade debts	20,010,133	17,792,165
Advances, deposits and other receivables	258,662,467	370,954,241
Bank balances	27,122,233	33,383,511
	<u>340,024,559</u>	<u>460,840,704</u>

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

Foreign	-	244,642
Domestic	20,010,133	17,547,523
	<u>20,010,133</u>	<u>17,792,165</u>

The aging of trade receivables at the reporting date is:

Past due 1 - 3 Months	12,203,298	14,595,901
Past due 4 - 6 Months	89,906	377,144
Past due 7 - 10 Months	1,649,159	611,866
Past due 11 - 12 Months	-	643,934
Past due above one year	6,067,770	1,563,320
	<u>20,010,133</u>	<u>17,792,165</u>

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 encounter difficulty in meeting its obligations arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner 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	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



	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	289,625,000	389,608,946	2,989,387,373	-	-	3,668,621,319
Lease finance liabilities	811,508	887,671	2,040,128	-	-	3,739,307
Security deposits and retention money	-	38,873,804	154,209,127	-	-	193,082,931
Trade and other payables	394,524,029	-	-	-	-	394,524,029
Mark up payable	312,801,576	-	-	-	-	312,801,576
Derivative financial liabilities						
Interest rate swaps	-	-	160,120,433	-	-	160,120,433
2008-2009	997,762,113	429,370,421	3,305,757,061	-	-	4,732,889,595

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:

<u>USD</u>	2010 Rupees	2009 Rupees
Foreign debtors	-	(244,642)
Compensation receivable from TCDRI	(186,079,002)	(217,532,097)
Foreign creditors	59,467,181	70,497,865
Long term retention money	106,144,030	100,812,028
Derivative financial instruments - liability	202,024,046	160,120,433
Outstanding import letters of credit	462,831,638	144,555,628
Net exposure	<u>644,387,893</u>	<u>258,209,215</u>

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

	2010 Rupees	2009 Rupees
<u>Euro</u>		
Compensation receivable from TCDRI	-	(80,933,964)
Long term retention money	36,948,114	40,565,906
Outstanding import letters of credit	9,123,768	2,989,522
Net exposure	46,071,882	(37,378,536)

The following significant exchange rates have been applied:

	Reporting date rate	
	2010	2009
USD to PKR - Buy	85.60	81.30
USD to PKR - Sell	85.40	81.10
Euro to PKR- Buy	104.58	114.82
Euro to PKR- Sell	104.33	114.54
	Average rate	
	2010	2009
USD to PKR	84.17	78.70
Euro to PKR	116.28	107.91

Sensitivity analysis:

At reporting date, if the PKR had strengthened by Rupee one against the US Dollar with all other variables held constant, post-tax loss for the year would have been decreased by Rs. 7.97 million (2009: Rs. 2.85 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:



	2010	2009	2010	2009
	Effective rate (In Percentage)		Carrying Amount (Rupees in 000)	
Financial liabilities				
<i>Variable rate instruments</i>				
Long term finances - PKR	14.45%	16.27%	3,643,653,425	3,668,621,319
Liabilities against assets subject to finance lease	17.33%	17.25%	2,036,713	3,739,307
Short term borrowings - PKR	15.01%	16.41%	1,406,895,249	1,398,198,921

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. 50.5 million (2009: Rs. 50.7 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.

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

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

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, therefore, the Company is not exposed to other price risks.

be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 2010 and at 30 June 2009 were as follows:

		2010	2009
Total debt	<i>Rupees</i>	5,052,585,387	5,070,559,547
Total equity and debt		7,013,555,258	7,342,106,712
Debt-to-equity ratio		72%	69%

The increase in the debt-to-equity ratio in 2010 resulted primarily from decrease in equity due to loss sustained during the year.

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 Chairperson, Chief Executive and Directors

	Chairperson		Chief Executive		Directors	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Managerial remuneration	-	-	1,200,000	1,200,000	2,100,000	2,100,000
Medical reimbursement	-	621,985	186,000	240,906	-	-
	-	621,985	1,386,000	1,440,906	2,100,000	2,100,000
Number of persons	1	1	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:

	2010 Rupees	2009 Rupees
Contribution to provident fund	1,116,394	855,565
Contribution to gratuity fund	1,854,355	935,718
Kohat Cement Company Limited Education Trust	698,239	433,425

40 Capacity and production

	Plant Capacity		Actual Production	
	2010	2009	2010	2009
Clinker				
Grey (M Tons)	2,550,000	1,880,000	1,173,915	713,347
White (M Tons)	135,000	135,000	-	19,384
Cement				
Grey (M Tons)	2,805,000	1,974,000	1,225,188	781,879
White (M Tons)	148,500	141,750	4,050	20,215

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 September 30, 2010 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
Lahore: September 30, 2010



DIRECTOR



KEY FINANCIAL DATA FOR LAST 8 YEARS

	2010	2009	2008	2007	2006	2005	2004	2003
Trading Results								
Quantitative data (000 M.Tonnes):								
Capacity:								
Clinker:								
- Grey	2550	1880	540	540	540	540	540	540
- White	135	135	135	135	135	-	-	-
Cement:								
- Grey	2805	1974	567	567	567	567	567	567
- White	149	142	142	142	142	-	-	-
Production:								
Clinker:								
- Grey	1,174	713	429	506	554	531	498	389
- White	-	19	19	23	16	-	-	-
Cement:								
- Grey	1,225	782	450	529	555	562	531	433
- White	4	20	21	22	15	-	-	-
Dispatches - cement:								
- Grey	1,192	778	452	524	557	560	535	437
- White	5	21	20	23	14	-	-	-
Financial data (Rs. 000):								
Turnover	3,692,038	3,395,581	1,371,792	1,553,733	2,327,238	1,715,427	1,397,871	949,200
Gross profit	350,166	804,559	87,402	343,267	1,199,662	664,223	495,537	89,145
Operating profit	257,977	662,974	21,629	278,226	1,145,849	615,203	450,927	19,894
Profit/(loss) before tax, interest & VSS	276,352	693,901	36,649	346,210	1,093,522	584,153	419,649	38,098
Profit/(loss) before tax	(382,238)	21,34	(279,573)	327,841	1,039,424	560,949	395,274	23,970
Profit/(loss) after tax	(327,777)	27,093	(222,439)	248,368	789,867	386,501	292,657	16,550
BALANCE SHEET (Rs. 000)								
Shareholders equity	1,960,970	2,271,547	2,329,129	2,339,656	2,283,940	1,081,732	695,231	501,274
Fixed capital expenditure	7,229,394	6,937,818	6,248,720	5,258,260	2,079,393	1,119,880	905,470	839,898
Net current assets/(liabilities)	(1,835,304)	(1,300,717)	(683,869)	642	556,588	164,551	67,535	(36,036)
Long term liabilities	3,407,267	3,305,756	3,122,560	2,810,116	245,309	119,242	191,176	192,933
Deferred liabilities	62,670	101,198	155,733	158,740	161,268	104,240	105,590	133,777
RATIO ANALYSIS								
Gross profit ratio %	9.48	23.69	6.37	22.09	51.55	38.72	35.45	9.39
Profit before tax ratio %	(10.35)	0.62	(20.38)	21.10	44.66	32.70	28.28	2.53
Profit after tax ratio %	(8.88)	0.80	(16.22)	15.99	33.94	22.53	20.94	1.74
Operating fixed assets turnover ratio %	57.98	53.45	145.71	151.80	269.01	295.25	231.81	145.58
Return on capital employed %	5.09	12.22	(4.11)	6.52	40.64	44.76	42.30	4.60
Debt : equity ratio	72 : 28	69 : 31	67 : 33	55 : 45	10 : 90	10 : 90	22 : 78	28 : 72
Current ratio	0.43	0.56	0.66	1.00	2.44	1.47	1.16	0.89
Interest coverage ratio	0.42	1.26	(4.71)	1.23	20.21	25.17	17.22	2.70
BREAK UP VALUE PER SHARE								
OF RS. 10 EACH (Rs.)	15.23	17.64	19.90	22.99	24.68	21.92	21.13	22.85
EARNING/ (LOSS) PER SHARE (Rs.)	(2.55)	0.21	(1.73)	2.12	9.06	4.50	5.93	0.50
DIVIDENDS								
Cash (Rs. 000)	-	-	-	-	-	-	98,700	32,900
%Age	-	-	-	-	-	-	30	15
Bonus Shares								
%Age	0	0	10	15	10	50	50	50



Pattern of Shareholding as at 30 June 2010

No. of Shareholders	Shareholdings		No. of Shares Held
	From	To	
289	1	100	13,679
700	101	500	218,840
758	501	1,000	642,952
1183	1,001	5,000	3,008,705
270	5,001	10,000	2,133,062
88	10,001	15,000	1,138,301
57	15,001	20,000	1,059,983
46	20,001	25,000	1,064,979
30	25,001	30,000	863,731
19	30,001	35,000	629,830
17	35,001	40,000	649,578
10	40,001	45,000	431,870
10	45,001	50,000	489,867
5	50,001	55,000	259,268
7	55,001	60,000	410,296
3	60,001	65,000	191,573
2	65,001	70,000	134,650
1	75,001	80,000	80,000
2	80,001	85,000	162,590
3	90,001	95,000	273,650
10	95,001	100,000	992,380
2	115,001	120,000	238,783
1	120,001	125,000	120,827
1	130,001	135,000	130,278
2	135,001	140,000	277,247
1	140,001	145,000	142,725
2	145,001	150,000	298,479
1	150,001	155,000	155,000
2	165,001	170,000	335,261
1	170,001	175,000	175,000
2	175,001	180,000	355,072
1	185,001	190,000	189,400
1	190,001	195,000	191,725
6	195,001	200,000	1,198,825
2	205,001	210,000	416,505
1	240,001	245,000	242,675
2	245,001	250,000	495,503
1	295,001	300,000	296,343
1	305,001	310,000	305,500
1	320,001	325,000	323,467
1	350,001	355,000	354,832
1	355,001	360,000	358,000
1	375,001	380,000	376,357
1	395,001	400,000	395,945
1	500,001	505,000	505,000
1	520,001	525,000	521,290
1	530,001	535,000	531,500
1	600,001	605,000	601,500
1	605,001	610,000	607,200
1	685,001	690,000	688,467
1	765,001	770,000	765,275
1	800,001	805,000	801,100
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
3	1,755,001	1,760,000	5,280,000
1	1,895,001	1,900,000	1,896,112
1	2,445,001	2,450,000	2,449,923
2	2,450,001	2,455,000	4,900,078
1	7,050,001	7,055,000	7,050,156
1	7,075,001	7,080,000	7,078,005
1	7,410,001	7,415,000	7,414,736
1	11,060,001	11,065,000	11,064,525
1	23,060,001	23,065,000	23,062,609
1	27,400,001	27,405,000	27,401,234
3570			128,757,241



Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their Spouse and Minor Children	89,177,416	69.26%
Associated Companies, Undertakings & Related Parties	34,438	0.03%
NIT & ICP	247,667	0.19%
Banks, Development Finance Institution, and Non-Banking Finance Institutions	562,166	0.44%
Modarbas and Mutual Funds	6,325	0.00%
Insurance Companies	57,922	0.04%
Share holders holding 10%	50,463,843	39.19%
General Public		
a) Local	33,544,473	26.05%
b) Foreign	2,875	0.00%
Others		
i) Ghani Glass Emplpyoee Provident Fund	10,000	0.01%
ii) Packages Limited Mgt. Staff Pension Fund	14,348	0.01%
iii) Joint Stock Companies	4,045,513	3.14%
iv) Kccl Employees Trust	925,768	0.72%
v) Al-Bader Welfare Trust	21,125	0.02%
vi) Artal Resturants Int. Employee Provident Fund	2,783	0.00%
vii) Wah Nobel P. Ltd, Management Staff Provident Fund	6,957	0.01%
viii) Kohat Cement Educational Trust	97,465	0.08%

Lahore: 30 September 2010

CHIEF EXECUTIVE



Pattern of Shareholding as at 30 June 2010
Additional Information as Required by the Code of Corporate Governance

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
I Associated 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	9	89,177,416
Directors	7	74,712,524
Mr. Aizaz Mansoor Sheikh	1	23,062,609
Mr. Nadeem Atta Sheikh	1	27,401,234
Mr. Tariq Atta Sheikh	1	11,064,525
Mr. Omer Aizaz Sheikh	1	1,760,000
Mr. Ibrahim Tanseer Sheikh	1	2,450,039
Mrs. Ghazala Amjad	1	7,078,005
Mrs. Hafsa Nadeem Sheikh	1	1,896,112
Director's Spouse	2	14,464,892
Mrs. Hijab Tariq W/o Mr. Tariq Atta Sheikh	1	7,414,736
Mr. Capt. Amjad Latif Sheikh H/o Mrs. Ghazala Amjad	1	7,050,156
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	6	626,413
VII Shareholders Holding Ten Percent or More Voting Interests	2	50,463,843
Mr. Aizaz Mansoor Sheikh	1	23,062,609
Mr. Nadeem Atta Sheikh	1	27,401,234



CHIEF EXECUTIVE



KOHAT CEMENT COMPANY LIMITED
FORM OF PROXY
31st 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
Saturday, 30 October 2010 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 _____ 2010.

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
POSTAGE

The Company Secretary,

Kohat Cement Company Limited,

Rawalpindi Road, Kohat.

Tel: 0922-560-990

Fax: 0922-560-405

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