ANNUAL REPORT 2014

THE STRENGTH
KOHAT CEMENT

About the Cover

Over the last twenty two years, Kohat Cement has continued to catch the trade winds and slice through the waves to reach the greater shores.

Throughout time, the Company has mustered an extraordinary array of resources – from groundbreaking research to a diligent human resource, which has helped Kohat Cement sail smoothly across the horizon in perfect control and unshakable faith.

Key Performance Indicators

Return on Equity
Percentage
36.74

Sales Revenue
Rs. in million
12,766

Earnings Per Share
Rupees
20.42

Debt : Equity
Ratio
9:91

Shareholder's Equity
Rupees in million
8,587

Assets Turnover
Times
1.87

Contents

Vision, Mission & Corporate Strategy

Vision

Be the best in the eyes of all stakeholders

Our Mission is to Provide

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

Corporate Strategy

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

About the Company

Kohat Cement Company Limited was incorporated in 1980 and is one of the leading cement manufacturing companies of Pakistan. It is an ISO 9001-2008 certified company, with an annual capacity of 2.8 Million tons of Grey Cement and 150 thousand tons of White cement. The Registered office and the Factory are located at Kohat, whereas the Head Office is located in Lahore.

Product Portfolio

GREY CEMENT

We offer Ordinary Portland Grey Cement under brand name “KOHAT CEMENT”. Kohat Cement is a premium selling brand in Pakistan and Afghanistan, its high strength and quality provides long lasting durability to concrete structures. An efficiently wide spread dealer’s network ensures brand availability to its customers in all target markets.

Kohat Ordinary Portland Grey Cement Brand Complies with:
Pakistan Standard PS 232 – 2008 (R) Grade 53
American Standard ASTM C 150 Type I & III
European Standard EN 197 – 1 / 2000 CEM 1 42.5 R

PACKAGING:

Available in 50 KG paper and polypropylene bags
Bulk cement is also available

WHITE CEMENT

We produce and sell White Portland Cement under the brand name “KOHAT SUPER WHITE”.It offers perfect white canvas for all kinds of architectural applications. It is ideal for concreting and ornamental applications, terrazzo floorings, fixing of tiles and marbles etc. It’s available in all local markets in Pakistan and Afghanistan.

Kohat Super White Cement Brand Complies with:
Pakistan Standard PS 1630 (1984)
American Standard ASTM C 150
European Standard EN 197 – 1 / 2000

PACKAGING:

Available in 40 and 50 KG paper and polypropylene bags.

Corporate Information

Board of Directors

Chief Executive
Mr. Aizaz Mansoor Sheikh

Executive Director
Mr. Nadeem Atta Sheikh

Independent Director
Mr. M. Atta Tanseer Sheikh

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

Audit Committee

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

HR&R Committee

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

Company Secretary

Mr. Khurram Shahzad, FCA

Legal Advisor

Imtiaz Siddiqui & Associates

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrar

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

Registered Office and Works

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

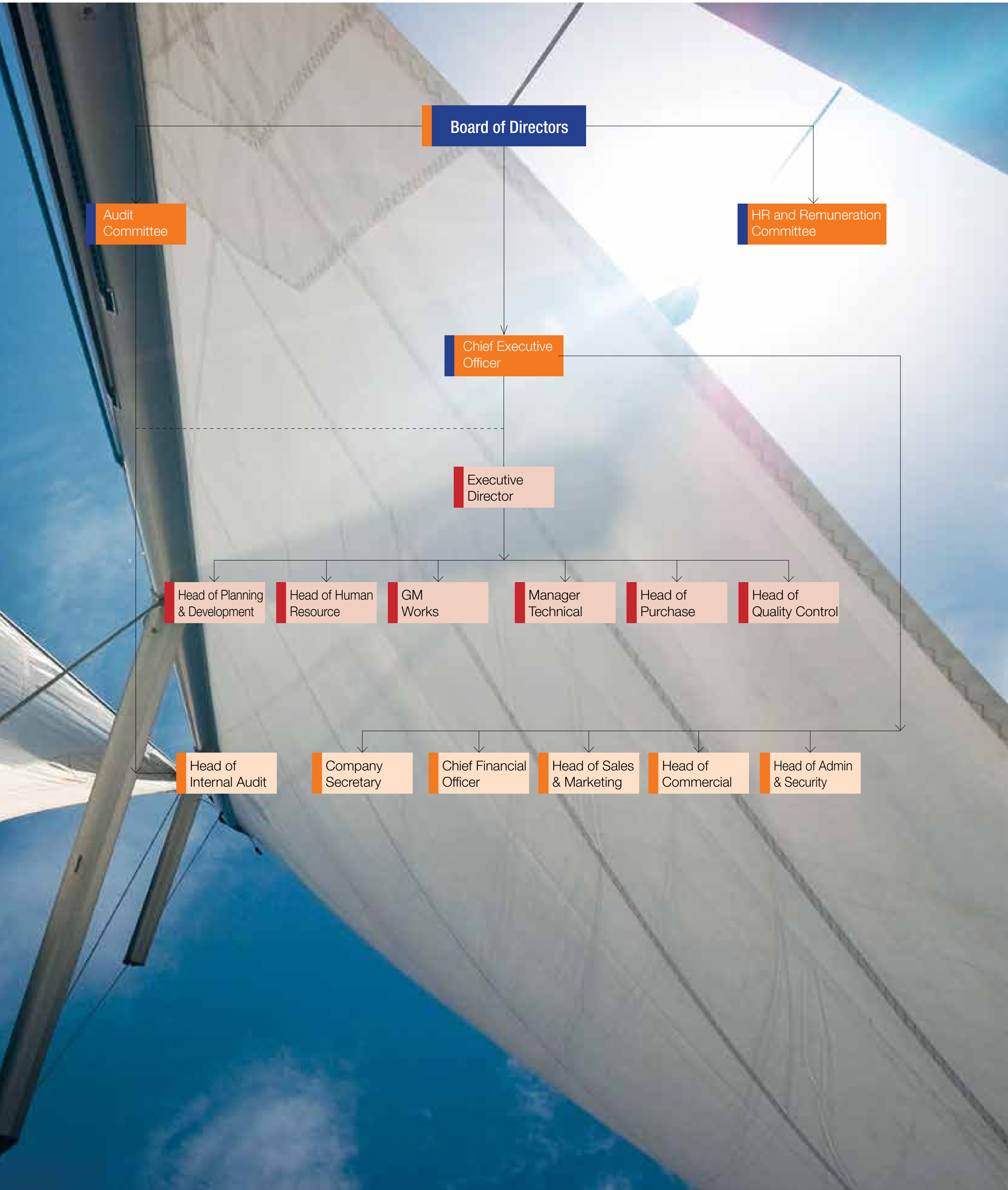
Head Office

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

Bankers of the Company

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

Organogram


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

Our Culture

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

Notice of Annual General Meeting

NOTICE is hereby given that 35th Annual General Meeting of the shareholders of Kohat Cement Company Limited ("Company") will be held on Friday, October 10, 2014 at 10:00 A.M., at its registered office, Kohat Cement Factory, Rawalpindi Road, Kohat, to transact the following Ordinary Business:

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2014 together with Auditors' and Directors' Reports thereon.

2. To consider and approve, as recommended by the Board of Directors, the payment of cash dividend for the year ended June 30, 2014 @20% i.e. Rs. 2/- per ordinary share;

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

(By order of the Board)

(KHURRAM SHAHZAD)
Company Secretary

Lahore: September 19, 2014

Notes:

1. The register of members and the share transfer books of the Company will be closed from Friday, October 3, 2014 to Friday, October 10, 2014 (both days inclusive). Physical transfers / CDS transactions IDs received in order at the Company's Independent Share Registrar Office, M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore, upto the close of business on Thursday, October 2, 2014 will be treated in time for the purpose of entitlement of dividend and to attend the meeting.

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

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

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

5. According to SECP directives, dividend warrant(s) must bear the CNIC number of the registered shareholder. Therefore, the members who have not yet submitted photocopy of their valid computerized national identity cards to the Company are requested to send the same at the office of Independent Share Registrar of the Company.

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

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

8. The financial statements of the Company for the year ended 30 June 2014 along with Auditors and Directors Report thereon have been placed on the company's website: www.kohatcement.com

Key Financial Data

For the last 8 years

	2014	2013	2012	2011	2010	2009	2008	2007
OPERATIONAL RESULTS								
Quantitative data (000 M.Tonnes):								
Capacity:								
Clinker:								
– Grey	2,550	2,550	2,550	2,550	2550	1880	540	540
– White	135	135	135	135	135	135	135	135
Cement:								
– Grey	2,805	2,805	2,805	2,805	2805	1974	567	567
– White	149	149	149	149	149	142	142	142
Production:								
Clinker:								
– Grey	1,604	1,677	1,508	1,364	1,174	713	429	506
– White	22	18	10	–	–	19	19	23
Cement:								
– Grey	1,873	1,833	1,665	1,472	1,225	782	450	529
– White	30	21	14	–	4	20	21	22
Dispatches – cement:								
– Grey	1,877	1,800	1,673	1,494	1,192	778	452	524
– White	30	21	14	–	5	21	20	23
Financial data (Rs. 000):								
Turnover	12,765,670	11,297,213	9,316,381	6,085,435	3,692,038	3,395,581	1,371,792	1,553,733
Gross profit	4,806,700	4,360,867	2,852,404	927,132	357,021	804,559	87,402	343,267
Operating profit	4,531,275	4,018,513	2,662,045	841,028	283,206	693,901	36,649	346,211
Profit / (loss) before tax	4,376,599	3,769,540	2,035,984	125,781	(382,238)	21,184	(279,573)	327,841
Profit / (loss) after tax	3,154,827	2,632,633	1,660,511	63,716	(327,777)	27,093	(222,439)	248,368

Key Financial Data

For the last 8 years

	2014	2013	2012	2011	2010	2009	2008	2007
BALANCE SHEET (Rs. 000)								
Shareholders equity	8,587,467	6,041,048	3,756,455	2,102,816	1,960,970	2,271,547	2,329,129	2,339,656
Operating fixed assets	6,816,809	6,507,332	6,789,893	7,140,841	6,368,030	6,352,853	941,431	1,023,528
Net current assets/(liabilities)	3,294,213	1,831,939	(580,914)	(856,921)	(1,835,304)	(1,300,717)	(683,869)	642
Long term liabilities	148,561	382,361	1,328,435	3,887,947	3,407,267	3,305,756	3,122,560	2,810,116
Deferred liabilities	1,719,892	2,076,954	1,228,691	323,098	62,670	101,198	155,733	158,740
RATIO ANALYSIS								
Gross profit ratio %	37.65	38.60	30.62	15.24	9.67	23.69	6.37	22.09
Profit before tax ratio %	34.28	33.37	21.85	2.07	(10.35)	0.62	(20.38)	21.10
Profit after tax ratio %	24.71	23.30	17.82	1.05	(8.88)	0.80	(16.22)	15.99
Operating fixed assets turnover ratio %	187.27	173.61	137.21	85.22	57.98	53.45	145.71	151.80
Return on capital employed %	47.87	53.54	40.50	11.63	5.43	10.53	(4.34)	11.73
Debt : equity ratio	9: 91	20: 80	43: 57	70 : 30	72 : 28	69 : 31	67 : 33	55 : 45
Current ratio	1.89	1.80	0.80	0.70	0.43	0.56	0.66	1.00
Interest coverage ratio	29.30	16.14	4.25	1.18	0.42	1.26	(4.71)	1.23
BREAK UP VALUE PER SHARE								
OF RS. 10 EACH (Rs.)	55.58	46.92	29.17	16.33	15.23	17.64	19.90	22.99
EARNING/ (LOSS) PER SHARE (Rs.)	20.42	17.04	10.75	0.41	(2.12)	0.18	(1.44)	1.61
(Restated)								
DIVIDENDS								
Cash (Rs. 000)	309,017	643,786	386,272	–	–	–	–	–
%age	20%	50%	30%	–	–	–	–	–
Bonus Shares	–	257,514	–	–	–	–	11,705	15,267
%age	–	20%	–	–	–	–	10%	15%

Directors' Report to the Shareholders

The Directors of your Company are pleased to present the Annual Report together with audited financial statements and Auditors' report thereon for the year ended June 30, 2014.

Overview

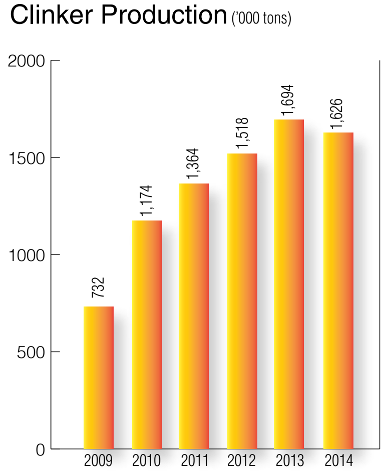
The cement sector of Pakistan registered an overall growth of 2.54% in terms of sales volumes during the FY 2013-14. Domestic consumption has increased by 4.34% to 26.145 (2013: 25.059) million MT while exports reduced to 8.137 (2013: 8.374) million MT registering a negative growth of 2.84%.

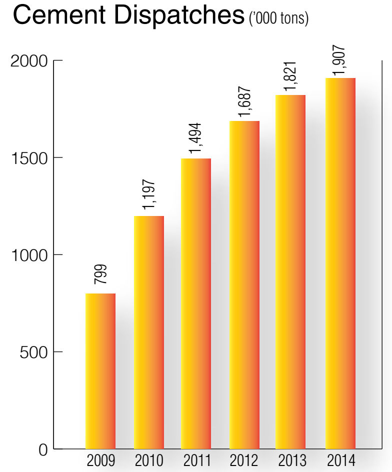
By the grace of Almighty Allah, your company has shown an overall growth of 4.71% in sales volume by dispatching 1.9 million metric tons of cement.

Production and Sale Volumes

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

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





Financial performance

Your company has registered a 20% growth in terms of net profit over the previous year by earning a pre-tax profit of Rs. 4.377 billion (2013: Rs. 3.769 billion) after accounting for all charges inclusive of depreciation of Rs. 371 million (2013: Rs. 374 million) and arrears of Fuel Price Adjustment of Rs. 289 million (2013: Rs. nil). Stable coal prices, better cement rates in local market and growth in dispatch volumes contributed towards improved profitability.

The operating performance of the company is summarized below:

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

Future prospects

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

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

Appropriations

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

Directors' Report to the Shareholders

Appropriations approved by directors are as under:

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

Compliance with code of corporate governance

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

- The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements to ensure the true and fair view of the Company's financial position.
- The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations wherever applicable to the Company for the year ended June 30, 2014.

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

Outstanding statutory dues - The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed on the face of balance sheet and in note no. 10 to the financial statements.

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

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

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

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

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

Directors' Report to the Shareholders

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

Directors' Training Programme – During the year one directors of the Company attended and obtained certifications under Directors' Certification Training Programme from an institute duly approved by the Securities and Exchange Commission of Pakistan.

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

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

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

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

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

Directors' Report to the Shareholders

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

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

Corporate Social Responsibility

Disclosure as required by the Companies (Corporate Social Responsibility) General Order, 2009 is annexed and form part of this report.

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

For and on behalf of the Board

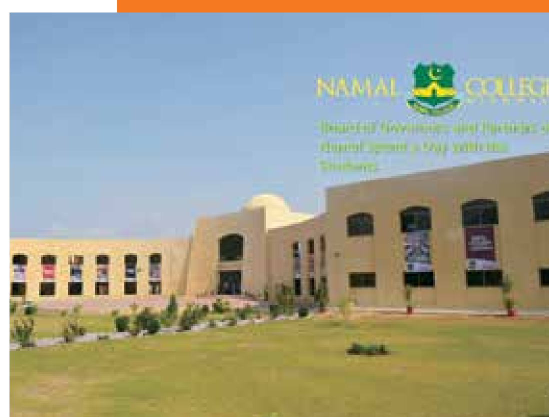
Aizaz Mansoor Sheikh
Chief Executive

Lahore: September 05, 2014

Corporate Social Responsibility

Commitment to Corporate Responsibility

We at Kohat Cement believe that sustained economic growth is only possible with social progress and wellbeing of local communities. The year 2013-14 witnessed Kohat Cement to create value for its employees, local community and the government. A summary of different activities carried out under CSR framework is given hereunder:



Education

Youth Development Program

Kohat Cement established fully equipped school at plant site for children of employees and local community. In FY 2013-14, the student strength was 300 and faculty strength was 15. The school is run by a trust and the company contributed Rs. 754,762 to the said trust.

Student Scholarship Program

The Company is running a Scholarship program for the talented and deserving students.The Company contributed Rs. 608,750 towards this program for students of Namal College, UET Peshawar, Aims College and Parho Likho Pakistan.

Community Service

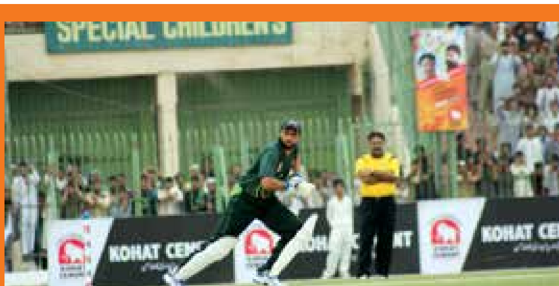
Sports & Recreation

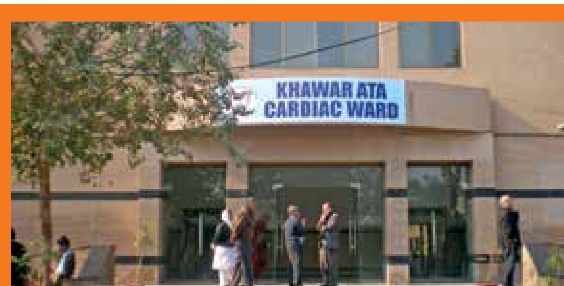
Sports help make a person focused, disciplined, committed and a team player. Kohat Cement maintains Basketball & Badminton Courts, a Cricket playground and a Gymnasium at the factory.

Peace Match

In FY 2013-14,Kohat Cement spent Rs. 1,654,622 to sponsor a cricket match in Peshawar, amongst the Current and Ex Pakistani cricketers to promote Peace and Harmony in KPK province. Cricketing giants like Inzamam-ul-Haq, Abdul Qadir, Shoaib Akhtar and Shahid Afridi were amongst the players. The match was played in fully packed Arbab Niaz Stadium.

Corporate Social Responsibility





KCCL cricket tournament

Kohat Cement spent Rs. 211,457 to organize a one-day cricket tournament in Lahore for its employees. The tournament aimed to promote teamwork, healthy competition and helped the employees bond with each other.

Hajj Sponsorship

Kohat Cement spent Rs. 286,731 to sponsor Hajj for one employee selected through a lucky draw in the financial year.

Financial Assistance

Company spent Rs. 274,600 towards providing financial assistance to the widows of deceased employees.

Water Services

We always work in coordination with local communities implementing an array of infrastructure development projects.

Irrigation Water

The drainage system at Kohat Cement ensures water is provided for irrigating the land of the local residents.

Safe Drinking Water

The water filtration plant at Kohat Cement acts as a safe drinking water dispenser for the Employees and local community.

Donations

Kohat Cement donates generously to Ghulab Devi Hospital where patients get free medical and surgical treatments. The Company donated Rs. 820,000 to the Hospital during the year.

Contribution to National Exchequer

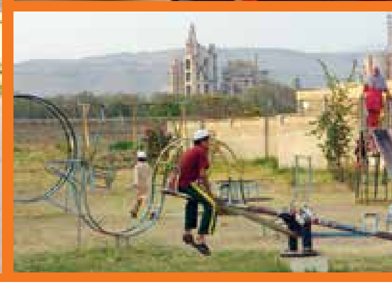
The company contributed Rs. 4.657 billion to the National Exchequer in the form of duties and taxes and earned Foreign exchange of US$17.095 million for the country by exporting cement during the financial year.

Health, Safety and Environment

At Kohat Cement, Health & Safety is not just a priority, it is a core value. We are continuously working to ensure safe and healthy working environment for our employees. We strictly follow eight hour working routine to ensure that employees have ample time for extracurricular activities.







Medical Facility

A medical dispensary is operative within the factory providing basic health services to employees.

Energy Conservations

Under the Company's constant pursuit of 'Go Green' policy Kohat Cement Company Limited is setting up a 15 MW power generation plant based on waste gases from the plant, thereby reducing emissions into the atmosphere and decreasing the burden on national grid station.

Employment

Employment Practices

The management is committed to upholding fair employment practices where people are treated with respect and supported to realize their full potential.

Our Human Resource Policy

Does not tolerate any discrimination or harassment at work place and provide appropriate training and development opportunities.

Internship Program

Kohat Cement provides learning opportunities to young generation who are eager to join Cement industry. Through our internship program we share knowledge, build relationships and inculcate a passion for work in young people. During the year 12 persons were inducted in the internship program of the Company.

Work in Progress for 15MW Waste Recovery Power Plant

Statement of Compliance

with the Code of Corporate Governance for the Year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in the Regulation No. 35 of the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Mr. Muhammad Atta Tanseer Sheikh
Executive Directors	Mr. Aizaz Mansoor Sheikh
	Mr. Nadeem Atta Sheikh
Non-Executive Directors	Mrs. Hijab Tariq
	Mrs. Hafsa Nadeem
	Ms. Aminah Aizaz Sheikh
	Mr. Muhammad Rehman Sheikh

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

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

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

4 A casual vacancy occurring on the Board on 17th February 2014 was filled up by the directors within the time prescribed by the Code.

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

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

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

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

9. During the year one Director of the Company attended and qualified Directors’ Certification

Statement of Compliance

with the Code of Corporate Governance for the Year ended June 30, 2014

Training Programme from an institute duly approved by SECP for this purpose. Moreover, as per clause (xi) of the Code, Mr. Nadeem Atta Sheikh is exempt from the directors training program because of having 14 years of education and over 15 years of experience on the board of listed companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Aizaz Mansoor Sheikh
Chief Executive

Lahore: September 05, 2014

Financial Statements

For the year ended 30 June 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Kohat Cement Company Limited ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Lahore: September 05, 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of Kohat Cement Company Limited ("the Company") as at 30 June 2014, 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 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 conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also include 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Lahore: September 05, 2014

Balance Sheet
As at 30 June 2014

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
Authorized share capital	5	3,000,000,000	1,500,000,000
Issued, subscribed and paid-up capital	5	1,545,086,900	1,287,572,410
Reserves	6	196,147,652	160,768,658
Accumulated profits		6,846,232,745	4,592,706,927
		8,587,467,297	6,041,047,995
Non-current liabilities			
Long term finances - secured	7	146,500,000	380,300,000
Long term security deposits	8	2,061,100	2,061,100
Deferred liabilities			
- deferred taxation	9	1,284,110,198	1,255,403,212
- compensated absences	9	6,858,093	6,694,762
- deferred mark-up on long term finances	12	428,924,206	814,856,112
		1,868,453,597	2,459,315,186
Current liabilities			
Current maturity of long term finance	7	233,800,000	582,539,087
Trade and other payables	10	1,837,976,548	1,122,362,342
Short term borrowings - secured	11	498,000,000	501,461,206
Interest / mark-up accrued on borrowings	12	398,980,489	87,864,322
Provision for taxation		726,779,510	–
		3,695,536,547	2,294,226,957
Contingencies and commitments	13		
		14,151,457,441	10,794,590,138

The annexed notes from 1 to 44 form an integral part of these financial statements.

Balance Sheet
As at 30 June 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	14	7,109,295,417	6,610,342,350
Intangible assets	15	885,387	1,439,808
Long term loans and advances	16	10,260,442	15,412,759
Long term deposits	17	41,266,640	41,229,640
		7,161,707,886	6,668,424,557
Current assets			
Stores, spares and loose tools	18	1,010,962,696	980,005,389
Stock in trade	19	469,501,350	737,325,759
Trade debts - unsecured, considered good		82,163,137	12,606,242
Short term investments	20	3,197,171,078	1,363,517,650
Advance income tax		–	48,671,249
Advances, deposits, prepayments and other receivables	21	374,610,885	359,881,378
Cash and bank balances	22	1,855,340,409	624,157,914
		6,989,749,555	4,126,165,581
		14,151,457,441	10,794,590,138

Chief Executive

Director

Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
Sales - net	23	12,765,670,059	11,297,213,012
Cost of goods sold	24	(7,958,970,205)	(6,936,346,069)
Gross profit		4,806,699,854	4,360,866,943
Selling and distribution expenses	25	(82,621,730)	(58,400,141)
Administrative and general expenses	26	(146,150,841)	(86,423,181)
Other income	27	265,255,098	36,223,304
Other charges	28	(311,907,456)	(233,753,785)
		(275,424,929)	(342,353,803)
Operating profit		4,531,274,925	4,018,513,140
Finance cost	29	(154,675,816)	(248,972,932)
Profit before taxation		4,376,599,109	3,769,540,208
Taxation	30	(1,221,772,596)	(1,136,907,653)
Profit after taxation		3,154,826,513	2,632,632,555
			(Restated)
Earnings per share - basic and diluted	31	20.42	17.04

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
Profit after taxation		3,154,826,513	2,632,632,555
Other comprehensive income			
Items that are or may be reclassified to profit and loss account:			
Available-for-sale financial assets			
- net changes in fair value		190,208,181	41,701,297
- reclassified to profit and loss account		(154,829,187)	(3,469,490)
		35,378,994	38,231,807
Total comprehensive income for the year		3,190,205,507	2,670,864,362

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

For the year ended 30 June 2014

		Reserves					
		Capital reserves		Revenue reserves			
	Share capital	Share premium	Fair value reserve	General reserve	Accumulated profit	Total reserves	Total
				Rupees			
As at 01 July 2012	1,287,572,410	49,704,951	2,831,900	70,000,000	2,346,346,095	2,468,882,946	3,756,455,356
Total comprehensive income for the year							
Profit for the year ended 30 June 2013	–	–	–	–	2,632,632,555	2,632,632,555	2,632,632,555
Other comprehensive income for the year ended 30 June 2013	–	–	38,231,807	–	–	38,231,807	38,231,807
	–	–	38,231,807	–	2,632,632,555	2,670,864,362	2,670,864,362
Transactions with owners of the Company							
Final cash dividend at Rs. 3.00 per share for the year ended 30 June 2012	–	–	–	–	(386,271,723)	(386,271,723)	(386,271,723)
As at 30 June 2013	1,287,572,410	49,704,951	41,063,707	70,000,000	4,592,706,927	4,753,475,585	6,041,047,995
Total comprehensive income for the year							
Profit for the year ended 30 June 2014	–	–	–	–	3,154,826,513	3,154,826,513	3,154,826,513
Other comprehensive income for the year ended 30 June 2014	–	–	35,378,994	–	–	35,378,994	35,378,994
	–	–	35,378,994	–	3,154,826,513	3,190,205,507	3,190,205,507
Transactions with owners of the Company							
02 bonus shares for every 10 ordinary shares held for year ended 30 June 2013	257,514,490	–	–	–	(257,514,490)	(257,514,490)	–
Final cash dividend at Rs. 5.00 per share for the year ended 30 June 2013	–	–	–	–	(643,786,205)	(643,786,205)	(643,786,205)
As at 30 June 2014	1,545,086,900	49,704,951	76,442,701	70,000,000	6,846,232,745	7,042,380,397	8,587,467,297

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
Cash flow from operating activities			
Cash generated from operations	32	5,492,843,870	4,167,750,735
Finance cost paid		(237,634,858)	(334,123,254)
Compensated absences paid		(1,439,863)	(504,567)
Income tax paid		(417,614,851)	(199,194,790)
		(656,689,572)	(533,822,611)
Net cash generated from operating activities		4,836,154,298	3,633,928,124
Cash flows from investing activities			
Acquisition of property, plant and equipment		(863,622,223)	(117,574,039)
Proceeds from disposal of property, plant and equipment		1,167,000	2,316,838
Purchase of short term investments		(7,709,250,100)	(902,285,840)
Proceeds from disposal of short term investment		5,665,804,853	–
Interest on bank deposits		96,663,050	24,700,779
Long term loans and advances received		5,152,317	4,720,919
Long term deposits paid		(37,000)	(37,350,200)
Long term security deposits received		–	4,452,513
Net cash used in investing activities		(2,804,122,103)	(1,021,019,030)
Cash flows from financing activities			
Repayment of export refinance		–	(100,000,000)
Repayments of long term finances		(582,539,087)	(692,160,913)
Dividend paid		(614,849,407)	(365,299,599)
Net cash used in financing activities		(1,197,388,494)	(1,157,460,512)
Net increase in cash and cash equivalents		834,643,701	1,455,448,582
Cash and cash equivalents at beginning of the year		1,020,696,708	(434,751,874)
Cash and cash equivalents at end of the year	33	1,855,340,409	1,020,696,708

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 June 2014

1 Reporting entity

1.1 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 production and sale of cement. The registered office is situated at Rawalpindi Road, Kohat, Pakistan.

1.2 During the current year, six out of seven directors of the Company and their family members ("the Sponsors") transferred in aggregate 70,822,000 ordinary shares comprising 55.00% of the then total paid-up share capital of the Company to ANS Capital (Private) Limited ("the Holding Company"), a company wholly owned and controlled by the Sponsors, thus forming a group comprising of ANS Capital (Private) Limited as the holding company and the Company as its subsidiary. Necessary approvals from Securities and Exchange Commission of Pakistan have been obtained for formation of group and for its designation for group tax relief under section 59B of the Income Tax Ordinance, 2001.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 Depreciation method, rates and useful lives of fixed assets

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 14.1.

2.3.2 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Fair values based on inputs from other than active market

Fair values of financial instruments, which are based on inputs from other than active market are determined using valuation techniques which incorporate all factors that market participants would consider in setting a price and use inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Notes to the Financial Statements

For the year ended 30 June 2014

2.3.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities.

2.3.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 Significant accounting polices

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land and capital work in progress, which are stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing costs as referred to in note 3.12.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

The Company recognizes depreciation in profit and loss account by applying reducing balance method over the useful life of each item of property, plant and equipment except for the following:

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

Depreciation rates on items of property, plant and equipment are specified in note 14.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use and is discontinued from the month in which it is disposed or classified as held for disposal.

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss less any identified losses and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to property, plant and equipment as and when assets are available for intended use.

3.2 Software

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible asset at cost and are amortized on a straight line basis. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any. The rate of amortization is specified in note 15.

Notes to the Financial Statements

For the year ended 30 June 2014

3.3 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

3.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

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

3.5 Employee benefits

Defined contributions plan

The Company operates an approved defined contributory provident fund for its employees. Equal contributions are made by the Company and employees at 10.00% of basic salary.

Compensated absences

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

3.6 Investments

3.6.1 Available for sale

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2014

3.6.2 Loans and receivables

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

3.6.3 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit and loss account.

3.6.4 Off-setting

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

3.6.5 Regular way purchases and sales of financial assets

Regular way purchases and sales of financial assets are recognized on trade dates.

3.7 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in profit and loss account over the period of the borrowings on an effective interest basis.

3.8 Trade and other payables

3.8.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit and loss account.

3.8.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

3.9 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.10 Trade and other receivables

3.10.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit and loss account.

Notes to the Financial Statements

For the year ended 30 June 2014

3.10.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

3.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. 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 costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer; and
- Interest income is recognized as and when accrued on effective interest method.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss account as incurred.

3.13 Income tax

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

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.14 Earnings per share (“EPS”)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to the Financial Statements

For the year ended 30 June 2014

3.15 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

3.16 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit and loss account.

3.17 Impairment

3.17.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.17.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.18 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

Notes to the Financial Statements

For the year ended 30 June 2014

4 New and revised approved accounting standards, interpretations and amendments thereto

There were certain new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

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

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

Notes to the Financial Statements

For the year ended 30 June 2014

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

		2014 Rupees	2013 Rupees
5	**Share capital**		
	Authorized share capital		
	300,000,000 (2013: 150,000,000) ordinary shares of Rs. 10 each	3,000,000,000	1,500,000,000
	Issued, subscribed and paid-up capital		
	Ordinary shares of Rs. 10 each		
	20,749,585 (2013: 20,749,585) shares fully paid-up in cash	207,495,850	207,495,850
	11,230,000 (2013: 11,230,000) shares issued for consideration other than cash	112,300,000	112,300,000
	122,529,105 (2013: 96,777,656) fully paid bonus shares	1,225,291,050	967,776,560
		1,545,086,900	1,287,572,410

5.1 As disclosed in note 1, the Sponsors transferred 55.00% of paid-up share capital of the Company to the Holding Company forming a group comprising of ANS Capital (Private) Limited as the holding company and the Company as its subsidiary. As at the balance sheet date, the Holding Company holds 84,986,400 number of ordinary shares comprising 55.00% of total paid-up share capital including 14,164,400 number of ordinary shares issued as bonus shares by the Company during the year.

5.2 As at 30 June 2014, Tariq Motors (Private) Limited and Kohat Cement Education Trust, associated undertakings, hold nil (2013: 34,438) and 116,958 (2013: 97,465) ordinary shares of the Company, respectively.

Notes to the Financial Statements

For the year ended 30 June 2014

		Note	2014 Rupees	2013 Rupees
6	**Reserves**			
	Capital reserves			
	- share premium	6.1	49,704,951	49,704,951
	- fair value reserve	6.2	76,442,701	41,063,707
			126,147,652	90,768,658
	Revenue reserve			
	- general reserves		70,000,000	70,000,000
			196,147,652	160,768,658

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

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

		Limit (Rupees in million)	Note	2014 Rupees	2013 Rupees
7	**Long term finances - secured**				
	Redeemable capital - sukuk certificates	2,500	7.1	–	378,939,087
	Syndicated Term Finance ("STF")	1,140	7.2	380,300,000	583,900,000
				380,300,000	962,839,087
	Less: current maturity presented under current liabilities			(233,800,000)	(582,539,087)
				146,500,000	380,300,000

7.1 These were issued by way of private placements with a consortium of investors to refinance a long term loan obtained for setting up a cement line of 6,700 TPD and was secured by way of first pari passu hypothecation and mortgage charge over all present and future immoveable properties of the Company amounting to Rs. 3,334.00 million (2013: Rs. 3,334.00 million). The facility comprised of 500,000 sukuk certificates of Rs. 5,000 each. In order to protect the interest of Sukkuk holders, National Bank of Pakistan was appointed as Trustee for the issue under trust deed.

The facility was reprofiled on 16 December 2011 by way of Second Master Addendum to Transaction Documents agreement effective from 20 June 2011. As per terms of reprofiling:

- the principal was payable in twenty one unequal quarterly instalments starting from 20 September 2011 and ending on 20 September 2016; and

- mark-up outstanding from 20 June 2009 to 19 June 2012 was deferred which is repayable in eight unequal quarterly installments starting from 20 September 2014 and ending on 20 June 2016.

The Company during the year ended 30 June 2012 had exercised call option and prepaid an amount of Rs. 900.00 million on account of principal repayments. Consequently, the outstanding facility that was to be repaid by 20 June 2014 as against 20 September 2016 has been accordingly repaid during the year.

The finance carried mark-up at three months KIBOR plus a spread of 1.50% per annum and was payable quarterly.

7.2 STF has been obtained from a consortium of banking companies to refinance the Company's long term loans and is secured by way of first pari passu hypothecation and mortgage charge over all present and future immoveable properties of the Company amounting to Rs. 1,520.00 million (2013: Rs. 1,520.00 million). Standard Chartered Bank (Pakistan) Limited is the lead arranger and Agent of this STF.

Notes to the Financial Statements

For the year ended 30 June 2014

This facility was re-profiled by way of Second Supplemental Syndicated Term Finance Agreement entered on 22 February 2011 effective from 20 June 2009. As per reprofiling terms:

- principal is payable in fifteen unequal quarterly installments starting from 20 December 2012 and ending on 20 June 2016; and

- mark-up outstanding from 20 December 2009 to 20 September 2011 was deferred which is repayable in nineteen unequal installments starting from 20 December 2011 and ending on 20 June 2016.

The Company in previous years, has made prepayment of Rs. 400.00 million by virtue of which the remaining outstanding principal is repayable in six unequal quarterly instalments ending on 20 December 2015.

The finance carries mark-up at three months KIBOR plus a spread of 1.80% per annum, payable quarterly.

	Note	2014 Rupees	2013 Rupees
8 Long term security deposits			
Interest free security deposits from:			
- cement dealers	8.1	1,661,100	1,661,100
- cement transporters	8.2	400,000	400,000
		2,061,100	2,061,100
Retention money - interest free		170,050,109	168,126,566
Less: current maturity	10.5	(170,050,109)	(168,126,566)
		–	–
		2,061,100	2,061,100

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

	Note	2014 Rupees	2013 Rupees
9 Deferred liabilities			
9.1 Deferred taxation			
Accelerated tax depreciation	9.1.1	1,284,110,198	1,255,403,212

9.1.1 The liability for deferred taxation comprises of temporary differences relating to accelerate tax depreciation on fixed assets.

9.2 Compensated absences

	2014 Rupees	2013 Rupees
At beginning of the year	6,694,762	5,614,085
Expense recognized during the year	1,603,194	1,585,244
Less: payments made during the year	(1,439,863)	(504,567)
At end of the year	6,858,093	6,694,762

Notes to the Financial Statements

For the year ended 30 June 2014

		Note	2014 Rupees	2013 Rupees
10	**Trade and other payables**			
	Trade creditors	10.1	138,255,106	129,584,592
	Contractors' bills payable		15,290,408	8,060,150
	Accrued liabilities	10.2	623,023,495	201,270,303
	Advances from customers		117,052,162	123,239,333
	Payable to Workers' Profit Participation Fund	10.3	403,215,648	199,583,970
	Payable to Workers' Welfare Fund	10.4	74,008,898	21,308,747
			1,370,845,717	683,047,095
	Payable to Government on account of:			
	Income Tax deducted at source		3,343,027	226,752
	Sales Tax		94,536,968	97,579,937
	Federal Excise Duty		33,164,000	48,651,200
	Royalty and Excise Duty		43,800,492	42,569,179
			174,844,487	189,027,068
	Securities and retention money payable	10.5	174,748,634	173,537,719
	Unclaimed dividend		3,201,959	1,660,026
	Dividend payable	10.6	48,366,989	20,972,124
	Other payables		65,968,762	54,118,310
			292,286,344	250,288,179
			1,837,976,548	1,122,362,342

10.1 Trade creditors

Trade creditors do not include any amount due to related parties (2013: nil).

10.2 Peshawar Electric Supply Company ("PESCO") charged an amount of Rs. 48.42 million as arrears on account of Fuel Price Adjustment ("FPA") in electricity bills of January 2012 and February 2012 pertaining to the period from January 2011 to May 2011. The Company challenged this levy in Honorable Islamabad High Court ("IHC"). IHC vide its order dated 24 October 2012 decided the case in favor of the Company, and the distributor of electricity was directed to issue amended bills. However, IHC in an intra court appeal, vacated the aforementioned order. The Company being aggrieved filed an appeal before SCP which is pending adjudication.

However, PESCO neither charged, nor recovered FPA in electricity bills in light of judgment of PHC in identical petitions filed by various customers of PESCO. The said order was agitated by PESCO and it filed a civil petition before Supreme Court of Pakistan ("SCP") whereby leave is granted by the apex court and through its interim order, the operation of aforesaid order of PHC restraining PESCO from levying FPA has been suspended. The Honorable Court allowed the recovery of FPA by PESCO in ten monthly installments and PESCO has accordingly started recovering these arrears. Although Company's specific appeal before SCP is still pending adjudication, however, in light of aforesaid judgment of SCP, the Company has booked a liability of Rs. 289.00 million (2013: nil) on account of FPA arrears and the current outstanding balance is Rs. 257.50 million (2013: nil).

		Note	2014 Rupees	2013 Rupees
10.3	**Workers' Profit Participation Fund ("WPPF")**			
	At beginning of the year		199,583,970	107,176,672
	Allocation for the year	28	234,751,678	199,583,970
	Interest accrued	29	11,226,598	2,796,871
			445,562,246	309,557,513
	Less: paid during the year		(42,346,598)	(109,973,543)
	At end of the year	10.3.1	403,215,648	199,583,970

Notes to the Financial Statements

For the year ended 30 June 2014

10.3.1 The outstanding WPPF liability includes Rs. 168.46 million being the left over amount out of the total WPPF liability of Rs. 199.58 million pertaining to the financial year ended 30 June 2013. According to the Companies Profits (Workers' Participation) Act, 1968, the left over amount is to be transferred to the Workers Welfare Fund. After the 18th amendment to the Constitution of Pakistan in 2010, all labour/ labour welfare laws have become provincial subject, and accordingly the aforesaid left over amount is now payable to provincial government. However, no provincial authority has been constituted so far, to collect the aforesaid left over amount. Hence, the Company has filed a writ petition before the Honorable Lahore High Court, seeking its directions to identify the legal authority to whom the aforesaid left over amount shall be deposited. The said petition is pending adjudication.

		Note	2014 Rupees	2013 Rupees
10.4	**Workers' Welfare Fund**			
	At beginning of the year		21,308,747	1,550,405
	Allocation for the year	28	72,456,179	19,758,342
	Less: paid during the year		(19,756,028)	–
	At end of the year		74,008,898	21,308,747

10.5 This represents interest free security deposits and retention money received from contractors and are repayable after satisfactory completion of contracts. It includes Rs. 170.05 million (2013: Rs. 168.127 million) equivalent to USD 1.24 million (2013: USD 1.24 million) and Euro 0.35 million (2013: Euro 0.35 million) retained from invoices of Sinoma Technical Services Company Limited (previously TCDRI) for supply of grey cement plant. The management expects the matter to be resolved in next twelve months. Also refer to note 21.4.

10.6 Out of final cash dividend amounting to Rs. 386.34 million for the year ended 30 June 2012 and Rs. 643.79 million for the year ended 30 June 2013, dividend related to certain shareholders amounting to Rs. 48.37 million was withheld based on the order dated 25 October 2012 of honorable Lahore High Court and Securities and Exchange Commission of Pakistan approval vide letter number EMD/233/380/02-676 dated 23 November 2012 read with letter number EMD/233/380/02-841-842 dated 29 November 2013 in response to application made by the Company under section 251(2) of the Companies Ordinance, 1984.

		Limit (Rupees in million)	Note	2014 Rupees	2013 Rupees
11	**Short term borrowings - secured**				
	Short term running finances	365	11.1	–	3,461,206
	Export refinances	498	11.2	498,000,000	498,000,000
				498,000,000	501,461,206

11.1 These facilities are available from various commercial banks for working capital requirements, under mark-up arrangements having aggregate sanctioned limits amounting to Rs. 365.00 million (2013: Rs. 765.00 million). These facilities carry mark-up at the rates three months KIBOR plus a spread of 1.75% to 2.00% (2013: three to six months KIBOR plus a spread of 1.75% to 3.00%) per annum payable quarterly.

11.2 These facilities carry mark-up at SBP export refinance rate plus 1.00% (2013: SBP export refinance rate plus 1.00%) per annum and are for a period of 180 days and can be rolled over for a further period of 180 days.

The aforesaid running and export re-finance facilities are secured by first joint pari passu hypothecation charge of Rs. 1,328.67 million and ranking charge of Rs. 140.00 million on existing and future current assets of the Company; first joint pari pasu hypothecation charge of Rs. 653.80 million and ranking charge of Rs. 429.67 million on the fixed assets of the Company, equitable mortgage over immovable properties of associated companies to the extent of Rs. 400 million (2013: 400 million) and personal guarantees of the Directors of the Company.

Notes to the Financial Statements

For the year ended 30 June 2014

		Note	2014 Rupees	2013 Rupees
12	**Interest / mark-up accrued on borrowings**			
	Long term finances - secured		1,371,891	3,238,861
	Deferred mark-up on long term finances	7.2	814,856,112	888,856,112
	Non-current portion of deferred mark-up		(428,924,206)	(814,856,112)
			385,931,906	74,000,000
	Short term borrowings - secured		11,676,692	10,625,461
			398,980,489	87,864,322

13 Contingencies and commitments

13.1 Contingencies

13.1.1 The Engineering Services International (Pakistan) Limited raised a claim of Rs 5.45 million (2013: Rs. 5.45 million) against the Company on account of mechanical installation / erection. A counter claim of Rs. 1.31 million (2013: Rs. 1.31 million) was lodged by the Company. The case is pending with the Senior Civil Judge, Lahore.

13.1.2 The State Cement Corporation of Pakistan (Private) Limited, previous sole owner of the Company, raised a claim of Rs. 5.64 million (2013: Rs. 5.64 million) against the Company on account of interim dividend pertaining to year ended 30 June 1993 declared by previous Board of Directors. The subsequent Board of Directors rescinded the declaration of interim dividend on various grounds. The matter is pending before Honorable Lahore High Court.

13.1.3 Current management of the Company filed a claim before Secretary Finance, Government of Pakistan for recovery of Rs. 14.10 million (2013: Rs. 14.10 million) being interim dividend pertaining to year ended 30 June 1992 paid by previous management of the Company to State Cement Corporation of Pakistan (Private) Limited ("SCCPL") and misuse of plant by previous management. Later, Board of Directors of the Company rescinded the aforesaid dividend which was ratified and confirmed by members of the Company at Annual General Meeting. Consequently, the Company withheld aforesaid interim dividend amounting to Rs. 14.10 million (2013: Rs. 14.10 million) from the interim dividend payable to SCCPL declared by the Company pertaining to period ended 31 December 1994. Intimations had been made to SCCPL and Securities and Exchange Commission of Pakistan ("SECP"). This amount has been withheld on legal advice obtained from corporate lawyers. Currently the matter is pending for arbitration with Secretary of Finance, Government of Pakistan.

13.1.4 The Competition Commission of Pakistan ("CCP") took suo moto action under Competition Ordinance, 2007 and issued show cause notice on 28 October 2008 inquiring for increase in cement prices across the country. Similar notices were also issued to All Pakistan Cement Manufacturer Association ("APCMA") and its member cement manufacturers. The Company filed writ petition in Honorable Lahore High Court ("LHC") and vide its order dated 24 August 2009, LHC allowed CCP to issue its final order. Consequently, CCP passed an order dated 28 August 2009 imposing a penalty of Rs. 103.00 million on the Company. LHC vide its order dated 31 August 2009 restricted 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 such petitioners 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 LHC, Honorable Sindh High Court ("SHC") and SCP. In all these cases, stay orders have been granted by aforementioned 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 SCP.

13.1.5 An application was filed by certain shareholders of the Company including one ex-director of the Company before SECP praying for investigation into affairs of the Company. Consequently, SECP issued a show cause notice dated 27 July 2011 to the Company and all its Directors. Responding to the notice, management strongly denied all the baseless, false and frivolous allegations leveled in the application and further challenged the said notice before LHC that granted stay against the proceedings.

In previous year, the aforementioned shareholders have filed a petition before Honorable Peshawar High Court ("PHC") against management of the Company under sections 290, 291, 292 read with section 265 of the Companies Ordinance, 1984 which is pending adjudication.

Notes to the Financial Statements

For the year ended 30 June 2014

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

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

13.1.8 ACIR while disposing off contravention report of senior auditor created a Sales Tax demand of Rs. 9.18 million along with default surcharge of Rs. 3.72 million on account of alleged inadmissible adjustment of input Sales Tax of Rs. 9.18 million in contravention of SRO 389(I)/2006 dated 27 April 2006. CIR turned down appeal filed by the Company against the impugned order regarding which the Company filed an appeal before AITR which was decided in favour of the Company. However, against the said order, Tax Department filed an appeal before PHC. PHC remanded the case back to ATIR which is pending adjudication. However, the Company has deposited the principal amount of Rs. 9.18 million under protest.

13.1.9 During 2008, the Company imported certain plant and equipment for its new grey cement plant of 6,700 TPD clinker capacity and declared the same to 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, Customs Department declined the Company's claim and charged standard / normal import duty rates and further increase the value of consignment resulting in additional liability of Rs. 68.33 million (2013: Rs. 68.33 million) comprising of Rs. 32.09 million (2013: Rs. 32.09 million) Custom Duty, Rs. 25.93 million (2013: Rs. 25.93 million) Sales Tax, Rs. 9.42 million (2013: Rs. 9.42 million) Income Tax and Rs. 0.89 million (2013: Rs. 0.89 million) Special Excise Duty.

The Company disputing the Customs Department's contention filed a writ petition before SHC against the impugned act of the Customs Department. The matter is pending adjudication with the SHC. However, SHC ordered release of plant and equipment on submission of bank guarantee valuing Rs. 68.33 million (2013: Rs. 68.33 million) being value of additional liability. Accordingly, the Customs Authorities released the machinery and equipment on submission of bank guarantee by the Company.

During 2011, the aforesaid bank guarantee was encashed on order of SHC. Out of total payment amounting to Rs. 68.33 million, the Company has adjusted Rs. 35.35 million against the Company's tax liabilities in accordance with provisions of relevant revenue laws.

13.1.10 The tax department, after conducting Sales Tax and Federal Excise Duty audit of the Company for tax year 2009 passed an order dated 23 May 2012 disallowing zero rating on exports and input tax claims, levying additional tax and penalty amounting to Rs. 12.72 million and Rs. 14.02 million under provisions of Sales Tax and Federal Excise Laws respectively. The Company filed appeal before CIR(A) along with a writ petition before LHC against the above mentioned order. Both litigations have been decided in favour of the Company. However, the appellate decision of CIR(A) has been assailed by the tax department before the ATIR, which is pending adjudication. However, before decision of matter in favour of the Company, an amount of Rs. 14.80 million was deposited by the Company deposited under Amnesty Scheme announced vide SRO 548(I)/2012 dated 22 May 2012 which became refundable to the Company in consequence of favorable appellate orders.

13.1.11 The ACIR amended the assessment under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2007 to create a demand of Rs. 33.60 million after making various profit and loss additions to the income of the Company and changing apportionment basis of expenses between normal and export sales. Out of the said demand, the Company has deposited Rs. 5.00 million under protest and has challenged the treatment meted out by ACIR through filing of appeal before the CIR(A), which has been partially decided in favour of the Company culminating into a disputed tax liability on part of the Company amounting to Rs. 22.80 million. The said decision of the CIR(A) has been contested both by the Company and the Inland Revenue Department before the ATIR through cross appeals which are pending adjudication.

13.1.12 Disallowance of input Sales Tax claims by the DCIR to the tune of Rs. 0.38 million and Rs. 0.34 million respectively for tax periods November 2011 and December 2011 has been challenged by the Company through filing of appeal before the CIR(A). Appeal pertaining to tax period November 2011 has been decided by the CIR(A) by setting aside the case to the Commissioner to allow input claim after verification, whereas, for claim regarding tax period December 2011, partial relief has been granted by CIR(A), which is being contested by the Company before ATIR and pending adjudication.

Notes to the Financial Statements

For the year ended 30 June 2014

13.1.13 The Deputy Commissioner Inland Revenue ("DCIR") passed an ex-parte order for tax year 2007 to create a tax demand of Rs. 67.00 million while finalizing set aside proceedings under section 161/205 of the Income Tax Ordinance, 2001 set aside by ATIR. The issue involved is alleged non-deduction of tax at source on part of the Company while making its payments. The order was impugned by the Company before the CIR(A) who deleted the entire demand of Rs. 67.00 million against which the Inland Revenue Department has filed an appeal before the ATIR, which is pending adjudication.

13.1.14 DCIR has imposed a penalty of Rs. 36.90 million under section 33(17) of the Sales Tax Act, 1990 ("the Act") for alleged violation of section 3(2) of the Act, which requires the Company to print retail price on cement bags. In the immediate case, DCIR ignored the facts of legal compliance by the Company including due discharge of its Sales Tax liability and arbitrarily imposed the penalty presuming that entire Sales Tax liability for the period from July 2013 to January 2014 is unpaid. The Company is of the view that since the Company has duly discharged its Sales Tax liability for the period under reference, hence the question of imposition of penalty does not arise. Accordingly the Company has filed an appeal before CIR, which is pending adjudication.

13.1.15 The Sindh High Court through its order dated 01 March 2013 declared the amendments made in the WWF Ordinance, 1971 through Finance Act, 2008 applicable through which WWF is applicable on accounting profits rather than on the taxable income computed after incorporating the brought forward losses. In the light of the above order, the incremental provision to date based on accounting profit comes to Rs. 114.58 million (2013: Rs. 100.75 million). However, these financial statements do not include any adjustment to this effect since the Company is of the opinion that it does not come under the purview of the order of the Sindh High Court and that the Lahore High Court had already declared the above amendments unconstitutional via the case reported as 2011 PLD 2643.

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

13.1.16 Guarantees issued by Commercial Banks on behalf of the Company are of Rs. 118.730 million (2013: Rs. 118.730 million) in favor of SNGPL in accordance with the terms of agreement between the Company and SNGPL and Rs. 4.68 million (2013: Rs. 1.68 million) in favor of government institutions for supply of cement.

	Note	2014 Rupees	2013 Rupees
13.2 Commitments			
In respect of letters of credit for:			
- capital expenditure		930,155,224	120,021,610
- store and spares		319,247,212	122,370,775
		1,249,402,436	242,392,385
14 Property, plant and equipment			
Operating fixed assets	14.1	6,816,809,387	6,507,331,967
Capital work in progress	14.5	292,486,030	103,010,383
		7,109,295,417	6,610,342,350

Notes to the Financial Statements

For the year ended 30 June 2014

14.1 Operating fixed assets

	Cost					Depreciation				Net book
	As at 01 July 2013	Additions	Disposals	As at 30 June 2014	Depreciation Rate	As at 01 July 2013	For the year	Disposals	As at 30 June 2014	valueas at 30 June 2014
	Rupees					Rupees				
Freehold land	42,509,358	422,751,000	–	465,260,358	–	–	–	–	–	465,260,358
Factory building	2,753,204,510	–	–	2,753,204,510	4% - 5%	711,996,437	119,712,993	–	831,709,430	1,921,495,080
Office and other building	42,167,529	–	–	42,167,529	5%	16,355,337	1,290,610	–	17,645,947	24,521,582
Housing colony	48,108,904	–	–	48,108,904	5%	30,295,249	890,683	–	31,185,932	16,922,972
Plant, machinery and equipment	6,177,118,790	236,504,252	–	6,413,623,042	4% - 5% / units of production	1,911,843,243	231,634,231	–	2,143,477,474	4,270,145,568
Storage tanks and pipelines	30,148,252	–	–	30,148,252	10%	19,227,788	1,092,047	–	20,319,835	9,828,417
Power installations	96,782,524	508,547	–	97,291,071	10%	83,884,276	1,336,442	–	85,220,718	12,070,353
Furniture, fixtures and other office equipment	41,668,489	3,309,052	–	44,977,541	10%	23,247,348	1,929,288	–	25,176,636	19,800,905
Computer and printers	19,576,785	1,169,499	–	20,746,284	30%	13,179,858	2,171,577	–	15,351,435	5,394,849
Weighing scale	5,856,515	4,212	–	5,860,727	10%	2,953,446	290,693	–	3,244,139	2,616,588
Light vehicles	74,592,184	12,713,500	(1,385,841)	85,919,843	20%	45,356,223	7,351,279	(1,123,865)	51,583,637	34,336,206
Heavy vehicles	52,788,880	4,172,650	(38,068,320)	18,893,210	20%	48,641,889	877,332	(37,010,344)	12,508,877	6,384,333
Railway sidings	9,853,476	–	–	9,853,476	5%	7,729,632	106,192	–	7,835,824	2,017,652
Laboratory equipment	48,290,410	1,157,167	–	49,447,577	10%	20,635,596	2,807,972	–	23,443,568	26,004,009
Library books	94,217	–	–	94,217	10%	82,534	1,168	–	83,702	10,515
2014	9,442,760,823	682,289,879	(39,454,161)	10,085,596,541		2,935,428,856	371,492,507	(38,134,209)	3,268,787,154	6,816,809,387

	Cost					Depreciation				Net book
	As at 01 July 2012	Additions	Adjustment/ Disposals	As at 30 June 2013	Depreciation Rate	As at 01 July 2012	For the year	Adjustment/ Disposals	As at 30 July 2013	valueas at 30 June 2014
	Rupees					Rupees				
Freehold land	35,171,158	7,338,200	–	42,509,358	–	–	–	–	–	42,509,358
Factory building	2,753,704,510	–	(500,000)	2,753,204,510	4% - 5%	591,696,630	120,344,417	(44,610)	711,996,437	2,041,208,073
Office and other building	42,167,529	–	–	42,167,529	5%	14,996,801	1,358,536	–	16,355,337	25,812,192
Housing colony	48,108,904	–	–	48,108,904	5%	29,357,688	937,561	–	30,295,249	17,813,655
Plant, machinery and equipment	6,130,481,073	46,637,717	–	6,177,118,790	4% - 5% / units of production	1,676,654,195	235,189,048	–	1,911,843,243	4,265,275,547
Storage tanks and pipelines	30,148,252	–	–	30,148,252	10%	18,014,403	1,213,385	–	19,227,788	10,920,464
Power installations	96,782,524	–	–	96,782,524	10%	82,451,137	1,433,139	–	83,884,276	12,898,248
Furniture, fixtures and other office equipment	39,839,607	1,828,882	–	41,668,489	10%	21,250,780	1,996,568	–	23,247,348	18,421,141
Computer and printers	17,456,601	2,271,409	(151,225)	19,576,785	30%	10,905,959	2,330,374	(56,475)	13,179,858	6,396,927
Weighing scale	5,840,015	16,500	–	5,856,515	10%	2,631,494	321,952	-	2,953,446	2,903,069
Light vehicles	65,958,166	11,772,700	(3,138,682)	74,592,184	20%	42,227,088	5,575,858	(2,446,723)	45,356,223	29,235,961
Heavy vehicles	60,627,088	–	(7,838,208)	52,788,880	20%	55,341,281	1,036,749	(7,736,141)	48,641,889	4,146,991
Railway sidings	9,853,476	–	–	9,853,476	5%	7,617,851	111,781	–	7,729,632	2,123,844
Laboratory equipment	25,395,524	22,894,886	–	48,290,410	10%	18,508,907	2,126,689	–	20,635,596	27,654,814
Library books	94,217	–	–	94,217	10%	81,236	1,298	–	82,534	11,683
2013	9,361,628,644	92,760,294	(11,628,115)	9,442,760,823		2,571,735,450	373,977,355	(10,283,949)	2,935,428,856	6,507,331,967

Notes to the Financial Statements

For the year ended 30 June 2014

14.2 There are no fully depreciated operating fixed assets of the company as at 30 June 2014 (2013: nil).

		Note	2014 Rupees	2013 Rupees
14.3	Depreciation charge for the year has been allocated as follows:			
	Cost of goods sold	24	369,473,470	371,703,744
	Selling and distribution expenses	25	424,882	542,935
	Administrative and general expenses	26	1,594,155	1,686,066
			371,492,507	373,932,745

14.4 **Disposal of property, plant & equipment**

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sales value	Gain on disposal	Mode of disposal	Particulars of Purchaser
			Rupees				
Light vehicles							
Toyota pickup hilux	350,786	348,208	2,578	310,000	307,422	Negotiation	Mr. Mushtaq Hussain
Yamaha motorcycle	61,500	59,797	1,703	7,000	5,297	Negotiation	Mr. Basir Shah
Honda motorcycle	61,400	40,330	21,070	40,000	18,930	Company policy	Mr. Zahidullah Khan
Toyota corolla	912,155	675,530	236,625	810,000	573,375	Negotiation	Mr. Muhammad Naeem
	1,385,841	1,123,865	261,976	1,167,000	905,024		
Heavy vehicles							
02 CAT dozer	10,334,000	9,762,706	571,294	3,250,000	2,678,706	Negotiation	M/s Qadir & Co.
Kumatsu wheel loader	10,323,937	10,171,955	151,982	1,225,000	1,073,018	Negotiation	M/s Qadir & Co.
Excavator hitachi	3,000,000	2,789,547	210,453	1,206,487	996,034	Negotiation	M/s Qadir & Co.
02 dump truck	13,988,876	13,879,768	109,108	1,370,000	1,260,892	Negotiation	M/s Qadir & Co.
Hydraulic rock breaker	421,507	406,368	15,139	128,000	112,861	Negotiation	M/s Qadir & Co.
	38,068,320	37,010,344	1,057,976	7,179,487	6,121,511		
2014	39,454,161	38,134,209	1,319,952	8,346,487	7,026,535		
2013	11,128,115	10,239,340	888,775	2,316,838	1,428,063		

14.5 **Capital work in progress**

	Note	2014			
		As at 01 July 2013	Additions	Transfers	As at 30 June 2014
			Rupees		
Plant and machinery	14.5.1	103,010,383	408,071,273	(218,595,626)	292,486,030

	Note	2013			
		As at 01 July 2012	Additions	Transfers	As at 30 June 2013
			Rupees		
Plant and machinery	14.5.1	78,546,638	24,463,745	–	103,010,383

14.5.1 Additions to capital work in progress include borrowing costs amounting to Rs. 8.13 million (2013: Rs. 4.16 million) capitalized during the year using weighted average capitalization rate of 9.44% (2013: 10.73%) per annum.

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
15 Intangible assets			
Cost	15.1	4,852,284	4,852,284
Less: accumulated amortization	15.2	(3,966,897)	(3,412,476)
		885,387	1,439,808
Amortization rate		20.00%	20.00%

	2014 Rupees	2013 Rupees
15.1 Cost		
At beginning of the year	4,852,284	4,502,284
Additions during the year	–	350,000
At end of the year	4,852,284	4,852,284
15.2 Accumulated amortization		
At beginning of the year	3,412,476	2,459,519
Amortization for the year	554,421	952,957
At end of the year	3,966,897	3,412,476

15.3 The intangible assets represent Enterprise Resource Planning and computer software.

	Note	2014 Rupees	2013 Rupees
16 Long term loans and advances			
Loans to employees - secured, considered good	16.1	1,416,414	1,975,063
Less: receivable within one year	21.1	(555,972)	(662,304)
		860,442	1,312,759
Loan to Sui Northern Gas Pipelines Limited ("SNGPL")	16.2	14,100,000	18,800,000
Less: receivable within one year	21	(4,700,000)	(4,700,000)
		9,400,000	14,100,000
		10,260,442	15,412,759

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

	2014 Rupees	2013 Rupees
Balance at beginning of the year	1,975,063	1,700,396
Disbursements during the year	200,000	810,024
Less: recovered during the year	(758,649)	(535,357)
Balance at end of the year	1,416,414	1,975,063

These include loan to an executive of the Company amounting to Rs. 0.69 million (2013: Rs. 0.91 million) and carry mark-up ranging from 5.00% to 9.00% (2013: 5.00% to 9.00%) per annum. During the year an amount of Rs. 0.22 million (2013: Rs. 0.28 million) has been repaid by the executive to the Company. There are no disbursements of long term loan to executives during the year (2013: Rs. nil). These are secured against lien on retirement benefits and are repayable in 60 equal monthly installments. Chief Executive and Directors have not received any loan from the Company (2013: nil).

16.2 This represents loan given to SNGPL for infrastructure development for supply of natural gas to the Company. Mark-up is charged at 1.50% (2013: 1.50%) per annum and is received annually. Outstanding principal amount is recoverable in three annual instalments of Rs. 4.7 million each ending on March 2017.

Notes to the Financial Statements

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17 Long term deposits

These mainly include security deposits with Water and Power Development Authority and Sui Northern Gas Pipelines Limited. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these being held for an indefinite period with no fixed maturity date, are carried at cost as its amortized cost is impracticable to determine.

	Note	2014 Rupees	2013 Rupees
18 Stores, spares and loose tools			
Stores	18.1	412,998,662	551,626,478
Spares		588,008,924	422,080,088
Loose tools		9,955,110	6,298,823
		1,010,962,696	980,005,389

18.1 These include stores in transit valuing Rs. 109.50 million (2013: Rs. 307.91 million).

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

	Note	2014 Rupees	2013 Rupees
19 Stock in trade			
Raw materials		25,312,306	20,598,420
Packing materials		72,790,210	72,509,066
Work in process		222,816,490	497,146,264
Finished goods		148,582,344	147,072,009
		469,501,350	737,325,759
20 Short term investments			
Available for sale - quoted investments			
Gharibwal Cement Limited			
Cost	20.1	18,628,377	20,168,100
Fair value gain	20.1	55,629,183	30,201,900
		74,257,560	50,370,000
Money Market Mutual Funds			
Cost	20.2	3,102,100,000	902,285,843
Fair value gain	20.2	20,813,518	10,861,807
		3,122,913,518	913,147,650
		3,197,171,078	963,517,650
Loans and receivables			
Investment in term deposit receipts	20.3	–	400,000,000
		3,197,171,078	1,363,517,650

Notes to the Financial Statements

For the year ended 30 June 2014

		Note	2014 Rupees	2013 Rupees
20.1	**Gharibwal Cement Limited**			
	4,212,000 (2013: 4,600,000) ordinary shares of Rs. 10 each Market value Rs. 17.63 per share (2013: Rs. 10.95 per share)			
	Cost			
	At beginning of the year		20,168,100	20,168,100
	Additions during the year		249,100	–
	Less: disposals during the year		(1,788,823)	–
			18,628,377	20,168,100
	Fair value gain			
	At beginning of the year		30,201,900	2,831,900
	For the year		30,501,371	27,370,000
	Less: realized during the year	27	(5,074,088)	–
	Fair value adjustment		55,629,183	30,201,900
			74,257,560	50,370,000
20.2	**Money Market Mutual Funds**			
	Cost			
	At beginning of the year		902,285,843	–
	Additions during the year		7,709,001,000	1,118,834,445
	Less: disposals during the year		(5,509,186,843)	(216,548,602)
			3,102,100,000	902,285,843
	Fair value gain			
	At beginning of the year		10,861,807	–
	For the year		159,706,810	14,331,297
	Less: realized during the year	27	(149,755,099)	(3,469,490)
	Fair value adjustment		20,813,518	10,861,807
			3,122,913,518	913,147,650

20.2.1 These represent investments in quoted open end money market mutual funds. Number and fair value of units prevailing at the balance sheet date are as follows:

Particulars	2014 Units	2013 Units	2014 Rupees	2013 Rupees
ABL Cash Fund	55,558,471	20,233,945	556,957,009	202,495,246
Askari Sovereign Cash Funds	1,238,589	1,002,824	124,553,746	100,840,771
Faysal Money Market Fund	1,715,442	995,166	172,967,986	101,705,937
MCB Cash Management Optimizer	5,328,407	1,767,851	532,840,657	178,606,535
NAFA Money Market Fund	42,916,460	17,836,232	429,731,095	178,631,648
PICIC Cash Fund	1,258,673	502,976	126,017,940	50,471,813
UBL Liquidity Plus Fund	4,983,948	1,003,194	500,221,403	100,395,700
Atlas Money Market Fund	210,201	–	105,560,624	–
IGI Money Market Fund	637,930	–	64,377,948	–
HBL Money Market Fund	5,080,512	–	509,685,110	–
			3,122,913,518	913,147,650

20.3 These represent investments in fixed deposit schemes of commercial banks with maturity of less than three months and carried interest rates ranging from 8.55% to 9.55% (2013: 8.00% to 8.95%) per annum. These fixed deposits have matured during the year.

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
21 Advances, deposits, prepayments and other receivables			
Advances - unsecured, considered good			
- to employees	21.1	1,931,172	2,162,868
- to suppliers		19,603,345	21,829,209
- to contractors		3,128,835	2,034,954
		24,663,352	26,027,031
Income Tax under protest	21.2	5,000,000	–
Sales Tax and Customs Duty paid under protest	21.3	41,277,678	41,277,678
Letters of credit in process		12,698,231	4,227,408
Letter of credit / guarantee margin		45,480,957	50,691,048
Prepayments		675,488	634,744
Security deposits		7,102,102	7,354,854
Other advances and receivables	21.4	180,542,014	169,441,575
Advance payment to employees Provident Fund Trust		–	1,907,651
Accrued interest on bank deposits		390,411	2,211,100
Current portion of loan given to SNGPL	16	4,700,000	4,700,000
Duty drawback claims receivable on export sales		52,080,652	51,408,289
		374,610,885	359,881,378

	Note	2014 Rupees	2013 Rupees
21.1 Advances to Company's employees			
Current maturity of long term loans to employees	16	555,972	662,304
Advances to employees against salary	21.1.1	1,082,043	1,214,126
Advances to employees against expenses	21.1.1	293,157	286,438
		1,931,172	2,162,868

21.1.1 This does not include advances given to Executives, Directors and Chief Executive of the Company (2013: nil).

21.2 These represents income tax paid to Federal Board of Revenue under protest as referred to in note 13.1.11.

21.3 These represents Sales Tax and Custom Duty paid to the relevant departments under protest, as referred to in note 13.1.8 and 13.1.9.

21.4 This includes an amount of Rs. 170.05 million (2013: 168.13 million) equivalent to USD 2.68 million (2013: USD 2.68 million) receivable on account of notice of encashment of unconditional and irrevocable performance bank guarantees issued by foreign / local bank on behalf of the foreign supplier of plant and equipment of 6,700 TPD cement plant (the aforesaid amount is net off Rs. 79.45 million (2013: Rs. 79.45 million) being provision for doubtful receivables). The said Guarantee had been called by the Company for encashment, as the foreign supplier could not complete the project within the time period stipulated in the Plant Supply Contract and accordingly, cost of related plant and equipment has been reduced by the said amount. The Company also withheld retention money of Rs. 170.05 million (2013: Rs. 168.13 million) of supplier till the resolution of this matter as referred in note 10.5.

Notes to the Financial Statements
For the year ended 30 June 2014

		Note	2014 Rupees	2013 Rupees
22	**Cash and bank balances**			
	Cash in hand		209,420	467,674
	Cash at bank			
	- current accounts		628,048,628	145,394,461
	- saving accounts	22.1	581,734,422	478,295,779
			1,209,783,050	623,690,240
	Call deposits		645,347,939	–
			1,855,340,409	624,157,914

22.1 These carry return at 7.00% to 9.45% (2013: 5.00% to 8.00%) per annum.

		Note	2014 Rupees	2013 Rupees
23	**Sales - net**			
	Local sales		14,175,457,060	11,704,810,311
	Export sales		1,749,923,914	1,927,119,128
			15,925,380,974	13,631,929,439
	Less: Sales Tax		(2,365,128,176)	(1,631,895,898)
	Federal Excise Duty		(637,122,440)	(596,876,002)
	Commission on cement sales		(157,460,299)	(105,944,527)
			(3,159,710,915)	(2,334,716,427)
			12,765,670,059	11,297,213,012
24	**Cost of goods sold**			
	Raw materials consumed		478,438,444	503,798,275
	Packing materials consumed	24.1	755,287,173	657,626,452
	Power and fuel		2,085,805,035	1,619,813,182
	Coal, gas and furnace oil		3,351,006,171	3,393,131,783
	Coal unloading and feeding charges		3,449,919	3,825,270
	Stores and spares consumed		244,009,652	229,122,002
	Salaries, wages and other benefits	24.2	174,271,951	153,818,204
	Royalty and Excise Duty		84,345,723	89,164,977
	Rent, rates and taxes		18,484,308	21,344,345
	Repairs and maintenance		48,722,503	55,992,867
	Insurance		17,208,257	14,778,577
	Depreciation	14.3	369,473,470	371,703,744
	Other expenses		55,965,910	48,249,862
			7,686,468,516	7,162,369,540
	Work in process			
	As at beginning of the year		497,146,264	387,191,896
	As at end of the year		(222,816,490)	(497,146,264)
			7,960,798,290	7,052,415,172
	Finished goods			
	As at beginning of the year		147,072,009	31,499,616
	As at end of the year		(148,582,344)	(147,072,009)
			7,959,287,955	6,936,842,779
	Less: cost attributable to own cement consumption		(317,750)	(496,710)
			7,958,970,205	6,936,346,069

24.1 This amount is net of duty draw back on exports of Rs. 9.11 million (2013: Rs. 9.78 million).

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For the year ended 30 June 2014

24.2 Salaries, wages and other benefits include Rs. 3.95 million (2013: Rs. 3.54 million) and Rs. 1.28 million (2013: Rs. 1.23 million) in respect of provident fund contributions and compensated absences, respectively.

		Note	2014 Rupees	2013 Rupees
25	**Selling and distribution expenses**			
	Salaries, wages and other benefits	25.1	28,223,426	23,591,834
	Vehicle running expenses		4,348,004	1,982,950
	Travelling and conveyance		3,013,385	1,807,860
	Printing and stationery		943,410	1,045,936
	Postage, telephone and telegrams		967,408	916,671
	Entertainment		1,398,916	1,140,906
	Rent, rates and taxes		2,229,978	2,778,456
	Electricity, water and gas		373,138	290,885
	Sales promotion		4,655,147	5,366,283
	Depreciation	14.3	424,882	542,935
	Trade debts written off		494,301	–
	Cement loading charges		20,666,462	18,186,121
	Freight and handling charges on exports		373,620	267,800
	Miscellaneous		14,509,653	481,504
			82,621,730	58,400,141

25.1 Salaries, wages and other benefits include Rs. 0.58 million (2013: Rs. 0.58 million) and Rs. 0.22 million (2013: Rs. 0.25 million) in respect of provident fund contributions and compensated absences, respectively.

		Note	2014 Rupees	2013 Rupees
26	**Administrative and general expenses**			
	Salaries, wages and other benefits	26.1	57,212,783	45,984,842
	Vehicle running		658,139	516,384
	Traveling and conveyance		1,184,754	836,663
	Printing and stationery		2,547,303	2,748,813
	Legal and professional	26.2	51,120,844	10,430,389
	Postage, telephone and telegrams		2,622,630	2,220,748
	Repairs and maintenance		13,009,187	11,650,171
	Rent, rates and taxes		2,566,591	1,173,219
	Electricity, water and gas		3,520,670	3,797,580
	Entertainment		2,240,608	2,122,992
	Auditors' remuneration	26.3	1,100,000	1,145,000
	Depreciation	14.3	1,594,155	1,686,066
	Amortization	15.2	554,422	952,957
	Advertisement		589,976	400,136
	Miscellaneous		5,628,779	757,221
			146,150,841	86,423,181

26.1 Salaries, wages and other benefits include Rs. 1.30 million (2013: Rs. 1.05 million) and Rs. 0.29 million (2013: Rs. 0.44 million) in respect of provident fund contributions and compensated absences, respectively.

26.2 Legal and professional charges include remuneration to cost auditor amounting to Rs. 0.08 million (2013: Rs. 0.09 million).

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	Note	2014 Rupees	2013 Rupees
26.3 Auditors' remuneration			
Statutory audit		1,000,000	1,000,000
Half year review		100,000	100,000
Others		–	45,000
		1,100,000	1,145,000
27 Other income			
Income from financial assets			
Interest on bank deposits		94,579,055	26,911,880
Interest on SNGPL loan		263,306	334,922
Gain on sale of investment in Gharibwal Cement Limited	20.1	5,074,088	–
Gain on sale of investment in Money Market Mutual Fund	20.2	149,755,099	3,469,490
		249,671,548	30,716,292
Income from non-financial assets			
Income from sale of scrap		7,642,419	1,282,552
Gain on disposal of property, plant and equipment	14.4	7,026,535	1,428,063
Insurance claim		332,140	215,000
Bad debt recovered		–	1,750,000
Miscellaneous		582,456	831,397
		15,583,550	5,507,012
		265,255,098	36,223,304
28 Other charges			
Workers' Profit Participation Fund	10.3	234,751,678	199,583,970
Worker's Welfare Fund		72,456,179	19,758,342
Donations	28.1	1,659,431	399,358
Exchange fluctuation loss		3,040,168	14,012,115
		311,907,456	233,753,785

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

	2014 Rupees	2013 Rupees
29 Finance cost		
Interest / mark-up on:		
Short term borrowings	47,420,191	67,803,157
Long term finances	80,492,517	167,929,808
Workers' Profit Participation Fund	11,226,598	2,796,871
	139,139,306	238,529,836
Less: borrowing costs capitalized	(8,143,303)	(4,161,974)
	130,996,003	234,367,862
Default surcharge on FED and Sales Tax liability	2,692,952	169,738
Bank charges, commission and others	20,986,861	14,435,332
	154,675,816	248,972,932

Notes to the Financial Statements

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		Note	2014 Rupees	2013 Rupees
30	**Taxation**			
	Income tax			
	- current	30.1	1,200,177,757	358,242,408
	- prior		(7,112,147)	(142,516,978)
			1,193,065,610	215,725,430
	Deferred		28,706,986	921,182,223
			1,221,772,596	1,136,907,653

30.1 Current

The provision for current taxation for the current year is charged at normal tax rate of 34.00% of taxable income in accordance with the finance bill passed by National Assembly of Pakistan on 27 June 2013 whereas tax provision for previous year was charged at 35.00% in accordance with Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and capital gains which is full and final discharge of Company's tax liability in respect of income arising from such source.

		2014 Rupees	2013 Rupees
30.2	**Relationship between tax expense and accounting profit**		
	Profit before taxation	4,376,599,109	3,769,540,208
	Tax calculated at the rate of 34.00% / 35.00%	1,488,043,697	1,319,339,073
	Tax effect of:		
	- income under Final Tax Regime	(274,144,665)	(211,609,433)
	- recognised temporary differences	28,706,986	921,182,223
	- amount not deductible for tax purposes	129,691,518	135,134,518
	- amount deductible for tax purposes	(118,937,856)	(115,065,113)
	- tax credits	(24,474,936)	–
	- prior year adjustments	(7,112,148)	(142,516,978)
	- unused tax losses	–	(769,556,637)
		1,221,772,596	1,136,907,653

31 Earnings per share - basic and diluted

31.1 Basic earnings per share

As a result of bonus issue, the calculation of earnings per share has been adjusted retrospectively in accordance with the requirements of IAS 33 Earnings per share.

	Unit	2014	2013 (Restated)
Earnings for the year after taxation	Rupees	3,154,826,513	2,632,632,555
Weighted average number of ordinary shares in issue during the year	Numbers	154,508,690	154,508,690
Earnings per share	Rupees	20.42	17.04

31.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share as the Company does not have any convertible instruments in issue as at 30 June 2014 and 30 June 2013.

Notes to the Financial Statements

For the year ended 30 June 2014

		Note	2014 Rupees	2013 Rupees
32	**Cash generated from operations**			
	Profit after taxation		3,154,826,513	2,632,632,555
	Adjustments for non-cash items:			
	Depreciation		371,492,507	373,932,745
	Taxation		1,221,772,596	1,136,907,653
	Adjustment of property, plant and equipment		–	500,000
	Amortization		554,421	952,957
	Gain on disposal of property, plant and equipment		(7,026,535)	(1,428,063)
	Exchange loss		–	14,012,115
	Gain on sale of investment		(154,829,187)	–
	Provision for compensated absences		1,603,194	1,585,244
	Interest on bank deposits and advances		(94,842,361)	(26,911,880)
	Finance cost		154,675,816	248,972,932
			1,493,400,451	1,748,523,703
	Operating profit before working capital changes		4,648,226,964	4,381,156,258
	Changes in working capital			
	(Increase) / decrease in current assets:			
	Stores, spares and loose tools		(30,957,307)	210,998,783
	Stock in trade		267,824,409	(236,998,899)
	Trade debts		(69,556,895)	(8,114,413)
	Advances, deposits, prepayments and other receivables		(9,370,709)	34,468,956
			157,939,498	354,427
	Increase / (decrease) in current liabilities:			
	Trade and other payables		686,677,408	(213,759,950)
	Cash generated from operations		5,492,843,870	4,167,750,735
33	**Cash and cash equivalents**			
	Short term running finances	11	–	(3,461,206)
	Investment in term deposit receipts	20	–	400,000,000
	Cash and bank balances	22	1,855,340,409	624,157,914
			1,855,340,409	1,020,696,708

34 Transactions with related parties

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

	Note	2014 Rupees	2013 Rupees
Contribution to Provident Fund Trust		5,916,004	5,159,826
Contribution to Kohat Cement Co. Limited Education Trust	28.1	754,762	712,261
Palace Enterprises (Private) Limited		228,162	338,792

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35 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year in respect of remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company is as follows:

	2014			
	Chief Executive	Non-Executive Director	Executive Director	Executives
	Rupees			
Short term employee benefits				
Managerial remuneration	13,200,000	–	13,200,000	32,782,194
Bonus	1,690,500	–	1,690,500	4,380,792
Medical expenses reimbursed	2,099,850	–	–	–
	16,990,350	–	14,890,500	37,162,986
Post employment benefits				
Contribution to provident fund	462,000	–	462,000	882,247
	17,452,350	–	15,352,500	38,045,233
Number of persons	1	5	1	12

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

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

36 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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 Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework.

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For the year ended 30 June 2014

The Company's risk management policies are established to identify and analyze 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 reflect changes in market conditions and Company's activities.

36.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and receivables, deposits, short term investments and bank balances. Out of total financial assets of Rs. 5,425.19 million (2013: Rs. 2,293.79 million), the financial assets that are subject to credit risk amount to Rs. 5,424.99 million (2013: Rs. 2,293.33 million).

To manage exposure to credit risk in respect of loans and advances, management performs credit reviews taking into account the borrower's financial position, past experience and other factors. Loan terms and conditions are approved by a competent authority.

36.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	2014 Rupees	2013 Rupees
Available for sale financial assets		
Short term investments	3,197,171,078	963,517,650
Loans and receivables		
Long term loans and advances	9,400,000	14,100,000
Long term deposits	41,266,640	41,229,640
Trade debts - unsecured, considered good	82,163,137	12,606,242
Short term investments	–	400,000,000
Advances, deposits, prepayments and other receivables	239,853,499	238,182,658
Cash at banks	1,855,130,989	623,690,240
	2,227,814,265	1,329,808,780
	5,424,985,343	2,293,326,430

36.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2014 Rupees	2013 Rupees
Customers	82,163,137	12,606,242
Banking companies	1,855,130,989	1,023,690,240
Mutual Funds	3,122,913,518	913,147,650
Others	364,777,699	343,882,298
	5,424,985,343	2,293,326,430

36.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

36.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits, margin deposits, insurance claims, and issuers of debt securities which are counterparties to investment in debt securities and accrued return thereon. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Notes to the Financial Statements

For the year ended 30 June 2014

	Rating			2014	2013
	Short term	Long term	Rating agency	Rupees	Rupees
Banks					
Albaraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	25,000,000	–
Allied Bank Limited	A1+	AA+	PACRA	522,619,075	195,752,448
Askari Bank Limited"	A1+	AA	PACRA	264,106,243	–
Bank Alfalah Limited	A1+	AA	PACRA	19,251,776	22,293,267
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	29,665	29,664
Habib Bank Limited	A-1+	AAA	JCR-VIS	17,880,212	741,473
KASB Bank Limited	A3	BBB	PACRA	425,978	–
MCB Bank Limited	A1+	AAA	PACRA	150,064,917	286,114,124
National Bank of Pakistan	A-1+	AAA	JCR-VIS	268,356	2,609,477
NIB Bank Limited	A1+	AA-	PACRA	526,413	–
Soneri Bank Limited	A1+	AA-	PACRA	1,778,153	–
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	95,071,188	2,553,480
The Bank of Punjab	A1+	AA-	PACRA	582,554,401	1,049,156
The Bank of Khyber	A1	A	PACRA	78,867,466	27,985,483
United Bank Limited	A-1+	AA+	JCR-VIS	96,687,146	84,561,668
				1,855,130,989	623,690,240

	Rating	Agency	2014 Rupees	2013 Rupees
Mutual Fund				
ABL Cash Fund	AA(f)	JCR-VIS	556,957,009	202,495,246
Askari Sovereign Cash Funds	AAA(f)	PACRA	124,553,746	100,840,771
Faysal Money Market Fund	AA+(f)	JCR-VIS	172,967,986	101,705,937
MCB Cash Management Optimizer	AA(f)	PACRA	532,840,657	178,606,535
NAFA Money Market Fund	AA(f)	PACRA	429,731,095	178,631,648
PICIC Cash Fund	AA(f)	JCR-VIS	126,017,940	50,471,813
UBL Liquidity Plus Fund	AA(f)	JCR-VIS	500,221,403	100,395,700
Atlas Money Market Fund	AA+(f)	PACRA	105,560,624	–
IGI Money Market Fund	AA+(f)	PACRA	64,377,948	–
HBL Money Market Fund	AA(f)	JCR-VIS	509,685,110	–
			3,122,913,518	913,147,650

36.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts of the Company as at the reporting date is as follows:

	Gross carrying amount	
	2014 Rupees	2013 Rupees
The aging of trade debts at the reporting date is:		
Past due 1 - 3 Months	80,878,037	4,714,415
Past due 4 - 6 Months	1,285,100	6,466,845
Past due above one year	–	1,424,982
	82,163,137	12,606,242

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts 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. As at year end, trade debts do not include any balance receivable from related parties (2013: nil).

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36.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner unfavorable to the Company. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

36.2.1 Exposure to liquidity risk

36.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

		2014				
	Note	Carrying amount	Contractual cash flows	Less than six months	Six to twelve months	One to fvie years
				Rupees		
Non-derivative financial liabilities						
Long term finances	7	380,300,000	421,278,787	132,819,851	135,067,889	153,391,047
Long term security deposits	8	2,061,100	2,061,100	–	–	2,061,100
Compensated absenses	9	6,858,093	6,858,093	–	–	6,858,093
Trade and other payables	10	1,068,855,353	1,068,855,353	1,068,855,353	–	–
Short term borrowings	11	498,000,000	498,000,000	498,000,000	–	–
Interest / mark-up accrued on borrowings	12	827,904,695	827,904,695	195,240,627	203,739,862	428,924,206
		2,783,979,241	2,824,958,028	1,894,915,831	338,807,751	591,234,446

		2013				
	Note	Carrying amount	Contractual cash flows	Less than six months	Six to twelve months	One to fvie years
				Rupees		
Non-derivative financial liabilities						
Long term finances	7	962,839,087	1,082,857,486	356,927,715	305,873,411	420,056,360
Long term security deposits	8	2,061,100	2,061,100	–	–	2,061,100
Compensated absenses	9	6,694,762	6,694,762	–	–	6,694,762
Trade and other payables	10	589,203,224	589,203,224	589,203,224	–	–
Short term borrowings	11	501,461,206	501,461,206	501,461,206	–	–
Interest / mark-up accrued on borrowings	12	902,720,434	902,720,434	50,864,322	37,000,000	814,856,112
		2,964,979,813	3,084,998,212	1,498,456,467	342,873,411	1,243,668,334

36.3 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 optimizing return.

36.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which advances, sales and purchases and bank balances are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Euros and US dollars.

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36.3.1(a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2014 EURO	2014 USD	2014 TOTAL
	Rupees	Rupees	Rupees
Assets			
Advances, deposits, prepayments and other receivables	–	170,050,109	170,050,109
Cash at bank	–	71,435,238	71,435,238
	–	241,485,347	241,485,347
Liabilities			
Trade creditors	–	(1,473,566)	(1,473,566)
Long term retention money payable to Sinoma	(47,600,109)	(122,450,000)	(170,050,109)
Outstanding letters of credit	(103,248,989)	(1,146,153,447)	(1,249,402,436)
Net balance sheet exposure	(150,849,098)	(1,028,591,666)	(1,179,440,764)

	2013 EURO	2013 USD	2013 TOTAL
	Rupees	Rupees	Rupees
Assets			
Advances, deposits, prepayments and other receivables	–	168,126,566	168,126,566
Cash at bank	–	–	–
	–	168,126,566	168,126,566
Liabilities			
Trade creditors	–	(2,317,295)	(2,317,295)
Long term retention money payable to Sinoma	(46,614,563)	(121,512,003)	(168,126,566)
Outstanding letters of credit	(32,954,547)	(209,437,838)	(242,392,385)
Net balance sheet exposure	(79,569,110)	(165,140,570)	(244,709,680)

36.3.1(b) Exchange rates applied during the year

The following significant exchange rates have been applied during the year:

	EURO 2014	EURO 2013	USD 2014	USD 2013
	Rupees	Rupees	Rupees	Rupees
Reporting date spot rate				
- buying	134.46	128.85	98.55	98.60
- selling	134.73	129.11	98.75	98.80
Average rate for the year	140.70	126.25	103.69	97.56

36.3.1(c) Sensitivity analysis

A reasonably possible strengthening / (weakening) of 1% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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For the year ended 30 June 2014

	Profit	
	2014 Rupees	2013 Rupees
EURO	(1,508,491)	(795,691)
USD	(10,285,917)	(1,651,406)
	(11,794,408)	(2,447,097)

36.3.1(d) Currency risk management

Since the maximum amount exposed to currency risk is only 8.33% (2013: 2.27%) of the Company's total assets, any adverse / favorable movement in functional currency with respect to US dollar and Euro will not have any material impact on the operational results.

36.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

36.3.2(a) Interest / mark-up bearing financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2014		2013	
	Financial asset Rupees	Financial liability Rupees	Financial asset Rupees	Financial liability Rupees
Non-derivative financial instruments				
Fixed rate instruments	15,516,414	–	420,775,063	–
Variable rate instruments	–	878,300,000	–	1,464,300,293

36.3.2(b) Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2014 Rupees	2013 Rupees
Increase of 100 basis points		
Fixed rate instruments	155,164	4,207,751
Variable rate instruments	(8,783,000)	(14,643,003)
Decrease of 100 basis points		
Fixed rate instruments	(155,164)	(4,207,751)
Variable rate instruments	8,783,000	14,643,003

36.3.2(c) Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing and loans and advances by the Company has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

Notes to the Financial Statements

For the year ended 30 June 2014

36.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in market.

36.3.3(a) Investments exposed to price risk

At the balance sheet date, the Company's investment in quoted equity securities and investments in money market mutual funds is as follows:

	2014 Rupees	2013 Rupees
Investment in equity securities	18,628,377	20,168,100
Investment in money market mutual funds	3,102,100,000	902,285,843
	3,120,728,377	922,453,943

36.3.3(b) Sensitivity analysis

A 5.00% increase / decrease in redemption and share prices at year end would have increased / decreased the Company's surplus on re-measurement of available for sale investments as follows:

	Equity	
	2014 Rupees	2013 Rupees
Available for sale financial assets		
Effect of increase	156,036,419	46,122,697
Effect of decrease	(156,036,419)	(46,122,697)

36.3.3(c) Price risk management

The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies. The carrying value of investments subject to equity price risk are based on quoted market prices as at reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from reported market value. Fluctuations in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

36.4 Fair values

36.4.1 Fair value versus carrying amounts

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

36.4.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	Level 1	Level 2 Rupees	Level 3
Short term investments				
Gharibwal Cement Limited	20.1	74,257,560	–	–
Investments in Money Market Mutual Funds	20.2	3,122,913,518	–	–
2014		3,197,171,078	–	–
Short term investments				
Gharibwal Cement Limited	20.1	50,370,000	–	–
Investments in Money Market Mutual Funds	20.2	913,147,650	–	–
2013		963,517,650	–	–

36.4.1 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non–financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following method:

Available for sale investments - level 1

The fair value of available for sale investment is determined by reference to their quoted closing redemption and share prices at year end.

37 Capital management

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

The Company's objectives when managing capital are:

i. to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
ii. to provide an adequate return to shareholders.

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

	Unit	2014	2013
Total debt	Rupees	878,300,000	1,464,300,293
Total equity	Rupees	8,587,467,297	6,041,047,995
Total capital employed	Rupees	9,465,767,297	7,505,348,288
Gearing (debt to capital employed)	Percentage	9.28%	19.51%

Total debt comprises of long term finances and short term borrowings.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance. Decrease in gearing ratio is mainly due to repayments of long term debts.

Notes to the Financial Statements

For the year ended 30 June 2014

38 Operating segments

38.1 These financial statements have been prepared on the basis of single reportable segment.

38.2 Revenue from sale of cement represents 100.00% (2013: 100.00%) of gross sales of the Company. Sale comprises of 97.18% (2013: 99.12%) sale of grey cement and 2.82% (2013: 0.88%) from white cement.

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

	2014	2013
Pakistan	87.37%	83.49%
Afghanistan	12.63%	16.51%
	100.00%	100.00%

38.4 All assets of the Company as at 30 June 2014 are located in Pakistan.

39 Capacity and production

	Plant capacity		Actual production	
	2014	2013	2014	2013
	Metric tons		Metric tons	
Clinker				
Grey	2,550,000	2,550,000	1,603,616	1,676,569
White	135,000	135,000	22,132	18,047
Cement				
Grey	2,805,000	2,805,000	1,873,170	1,833,329
White	148,500	148,500	30,259	21,334

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

40 Provident Fund Trust

The following information is based on latest un-audited financial statements of Provident Fund Trust.

	Unit	2014	2013
Size of fund - total assets	Rupees	71,215,809	73,343,384
Cost of investments made	Rupees	65,035,869	68,466,640
Percentage of investments made	Percentage	91.32%	93.35%
Fair value of investment	Rupees	65,462,478	68,466,640

Notes to the Financial Statements

For the year ended 30 June 2014

The breakup of fair value of investments is as follows:

	2014		2013	
	Rupees	Precentage	Rupees	Precentage
Fixed deposits	54,664,621	83.51%	67,765,000	98.98%
Mutual funds	10,507,617	16.05%	-	0.00%
Cash at bank	290,240	0.44%	701,640	1.02%
	65,462,478	100.00%	68,466,640	100.00%

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

41 Number of employees

The total average number of employees during the year and as at 30 June 2014 and 2013 respectively are as follows:

	2014	2013
	Number of employees	
Average number of employees during the year	400	365
Total number of employees as at 30 June	396	403

42 Post balance sheet events

The Board of Directors in their meeting held on September 5, 2014 has proposed a 20% (2013: 50%) final cash dividend of Rs. 2 (2013: Rs. 5) per ordinary share amounting to Rs. 309.02 million (2013: Rs. 643.79 million) for approval of members at annual general meeting to be held on October 10, 2014. These financial statements do not reflect this appropriation as explained in note 3.18.

43 Date of authorization for issue

These financial statements were authorized for issue on September 5, 2014 by the Board of Directors of the Company.

44 General

Figures have been rounded off to the nearest rupee.

Chief Executive

Director

Pattern of Shareholding

As at 30 June 2014

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held	Percentage of Total Capital
330	1	-	100	12,932	0.01
629	101	-	500	209,009	0.14
366	501	-	1000	291,131	0.19
884	1001	-	5000	1,773,638	1.15
155	5001	-	10000	1,156,582	0.75
64	10001	-	15000	845,673	0.55
38	15001	-	20000	688,063	0.45
18	20001	-	25000	437,140	0.28
19	25001	-	30000	526,524	0.34
10	30001	-	35000	330,486	0.21
12	35001	-	40000	457,330	0.30
3	40001	-	45000	129,952	0.08
13	45001	-	50000	634,740	0.41
7	50001	-	55000	363,996	0.24
6	55001	-	60000	357,300	0.23
3	60001	-	65000	184,940	0.12
6	65001	-	70000	401,552	0.26
2	70001	-	75000	147,000	0.10
2	75001	-	80000	154,698	0.10
3	80001	-	85000	247,600	0.16
1	85001	-	90000	90,000	0.06
6	95001	-	100000	589,978	0.38
3	100001	-	105000	304,300	0.20
3	105001	-	110000	325,898	0.21
1	110001	-	115000	111,800	0.07
2	115001	-	120000	236,458	0.15
1	125001	-	130000	127,500	0.08
2	130001	-	135000	266,000	0.17
1	140001	-	145000	145,000	0.09
3	145001	-	150000	448,200	0.29
1	150001	-	155000	153,000	0.10
2	155001	-	160000	313,242	0.20
1	160001	-	165000	165,000	0.11
1	170001	-	175000	175,000	0.11
2	175001	-	180000	352,900	0.23
2	185001	-	190000	374,600	0.24
2	195001	-	200000	400,000	0.26
1	210001	-	215000	213,606	0.14
1	270001	-	275000	275,000	0.18
2	285001	-	290000	576,424	0.37
1	295001	-	300000	300,000	0.19
1	305001	-	310000	310,000	0.20
1	330001	-	335000	330,600	0.21
2	335001	-	340000	672,354	0.44
1	340001	-	345000	341,220	0.22
1	360001	-	365000	365,000	0.24
2	370001	-	375000	747,400	0.48
1	385001	-	390000	385,846	0.25
1	415001	-	420000	418,063	0.27
1	450001	-	455000	451,628	0.29
1	470001	-	475000	474,000	0.31
1	485001	-	490000	486,606	0.31
1	555001	-	560000	555,528	0.36
1	800001	-	805000	800,500	0.52
1	920001	-	925000	922,500	0.60
1	950001	-	955000	951,200	0.62
1	1060001	-	1065000	1,061,472	0.69
1	1100001	-	1105000	1,104,000	0.71
1	1210001	-	1215000	1,213,500	0.79
1	1300001	-	1305000	1,303,500	0.84
1	1340001	-	1345000	1,343,500	0.87
1	1510001	-	1515000	1,513,224	0.98
1	2570001	-	2575000	2,572,600	1.67
1	3790001	-	3795000	3,793,340	2.46
1	6235001	-	6240000	6,240,000	4.04
1	25870001	-	25875000	25,870,517	16.74
1	84985001	-	84990000	84,986,400	55.00
2,637				**154,508,690**	**100.00**

Categories of Shareholding

As at 30 June 2014

	Categories of Shareholders	Shares Held	Percentage
I	**Director, Chief Executive Officer, their Spouse and Minor Children**	**26,697,389**	**17.28%**
	Directors		
	Mr.Aizaz Mansoor Sheikh	486,606	0.31%
	Mr.Nadeem Atta Sheikh	979	0.00%
	Mrs.Hijab Tariq	25,870,517	16.74%
	Mrs.Hafsa Nadeem	927	0.00%
	Ms.Aminah Aizaz Sheikh	883	0.00%
	Mr.Muhammad Rehman Sheikh	600	0.00%
	Mr.Muhammad Attta Tanseer Sheikh	336,277	0.22%
	Director's Spouse		
	Mrs.Shahnaz Aizaz Sheikh	600	0.00%
	Minor Children	NIL	0.00%
II	**Associated Companies, Undertakings & Related Parties**	**85,103,358**	**55.08%**
	ANS Capital (Pvt) Limited	84,986,400	55.00%
	Kohat Cement Education Trust	116,958	0.08%
III	**NIT & ICP**	**103,080**	**0.07%**
	National Investment (Unit) Trust	102,600	0.07%
	Investment Corporation of Pakistan	480	0.00%
IV	**Banks, Development Finance Institutions, and Non-Banking Finance Companies**	**8,499,455**	**5.50%**
V	**Insurance Companies**	**468,700**	**0.30%**
VI	**Modarbas**	**5,000**	**0.00%**
	First Alnoor Modarba	5,000	0.00%
VII	**Mutual Funds**	**6,913,859**	**4.48%**
	AKD Index Tracker Fund	10,500	0.01%
	Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	111,800	0.07%
	Al-Ameen Shariah Stock Fund	1,343,500	0.87%
	Alfalah GHP Value Fund	109,000	0.07%
	Alflah GHP Alpha Fund	6,000	0.00%
	Alflah GHP Islamic Fund	25,000	0.02%
	BMA Funds Limited	48,000	0.03%
	Crosby Dragon Fund	109,398	0.07%
	First Capital Mutual Fund	67,500	0.04%
	First Habib Islamic Balanced Fund	15,000	0.01%
	First Habib Stock Fund	15,000	0.01%
	HBL - Stock Fund	1,213,500	0.79%
	HBL IPF Equity Sub Fund	65,500	0.04%
	HBL Islamic Stock Fund	474,000	0.31%
	HBL Multi - Asset Fund	150,000	0.10%
	HBL PF Equity Sub Fund	36,000	0.02%
	IGI Stock Fund	119,500	0.08%
	JS Islamic Fund	275,000	0.18%
	JS KSE-30 Index Fund	2,170	0.00%
	JS Large Cap. Fund	375,000	0.24%
	KASB Asset Allocation Fund	187,400	0.12%
	KSE Meezan Index Fund	62,040	0.04%
	Lakson Equity Fund	365,000	0.24%
	Meezan Islamic Fund	4,400	0.00%
	NAFA Multi Asset Fund	100	0.00%
	NIT-Equity Market Opportunity Fund	96,000	0.06%
	PAK Strategic Alloc. Fund	24,688	0.02%

Categories of Shareholding

As at 30 June 2013

Categories of Shareholders		Shares Held	Percentage
	PAK. Int. Element Islamic Asset Allocation Fund	44,300	0.03%
	Pakistan Capital Market Fund	30,500	0.02%
	Pakistan Islamic Pension Fund - Equity Sub Fund	30,000	0.02%
	Pakistan Stock Market Fund	418,063	0.27%
	PIML Islamic Equity Fund	500	0.00%
	UBL Retirement Savings Fund - Equity Sub Fund	157,000	0.10%
	UBL Stock Advantage Fund	922,500	0.60%
VIII	**Shareholder holding 5% and more (other than above)**	**NIL**	**NIL**
IX	**General Public**	**24,694,569**	**15.98%**
	a) Local	24,660,100	15.96%
	b) Foreign	34,469	0.02%
X	**Others**	**2,023,280**	**1.31%**
	Joint Stock Companies	1,845,503	1.19%
	Gratuity/Pension/Provident Funds	117,427	0.08%
	Charitable Trusts	60,350	0.04%
	Executives	NIL	0.00%
	Public Sector Companies and Corporations	NIL	0.00%

Lahore: September 05,2014

Chief Executive

Form of Proxy

35th Annual General Meeting 2014

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 Friday, 10 October 2014 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_______________2014.

Signature:

Please affix
Rupees five
revenue stamp

Witnesses:

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

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

Note:

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

AFFIX
CORRECT
POSTAGE

The Company Secretary,

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