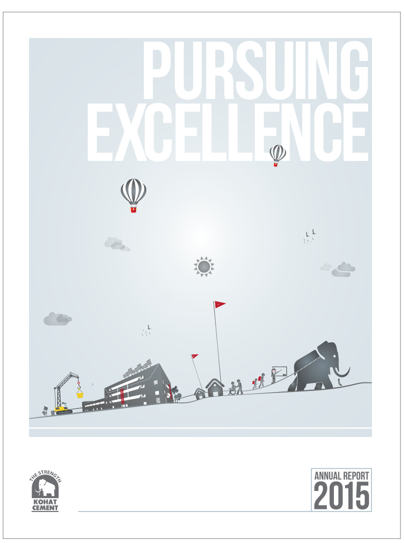
PURSUING EXCELLENCE

THE STRENGTH
KOHAT CEMENT

ANNUAL REPORT
2015

COVER STORY



Throughout the years, Kohat Cement has initiated several exemplary projects that have marked its pursuit towards excellence.

The company has always committed to achieve sustainable construction and growth; taking a variety of measures to build a future that positively impacts the whole community. It is this ability to deliver to its customers, shareholders and the society at large that sets Kohat Cement apart and reaffirms its position as one of the leading cement manufacturers of Pakistan.

FINANCIAL HIGHLIGHTS

2015
10,797
Rs. in Million
2014
8,587
Rs. in Million

Shareholder's Equity

2015
12,472
Rs. in Million
2014
12,766
Rs. in Million

Sales Revenue

2015
30.77
Percentage
2014
36.74
Percentage

Return on Equity

2015
2.05
Ratio
2014
1.89
Ratio

Current Ratio

2015
21.50
Rupees
2014
20.42
Rupees

Earnings Per Share

2015
41.07
Percentage
2014
38.41
Percentage

EBITDA to Sales

2015
9.29
Ratio
2014
6.26
Ratio

Price Earning Ratio

2015
50.47
Ratio
2014
29.30
Ratio

Interest Cover Ratio

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MANAGEMENT INFORMATION

FINANCIAL STATEMENTS

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

COMPANY INFORMATION

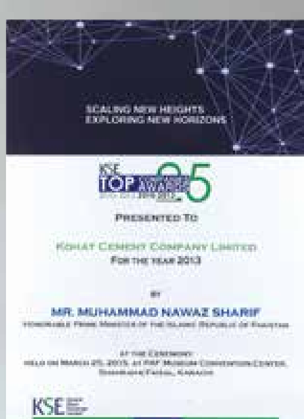
Kohat Cement Company Limited was incorporated in 1980 and is one of the leading cement manufacturing companies of Pakistan. It is an ISO 9001-2008 certified company, with an annual capacity of 2.8 Million tons of Grey Cement and 150 thousand tons of White cement. The Registered office and the Factory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

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.

AWARDS

- In recognition of its outstanding performance, Kohat Cement Company Limited has been honoured with the KSE Top 25 Companies Award 2013.



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

Chairman
Mr. M. Atta Tanseer Sheikh

Ms. Aminah Aizaz Sheikh
Mr. Muhammad Rehman Sheikh

HR&R COMMITTEE

Chairman
Mr. Muhammad Rehman Sheikh

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

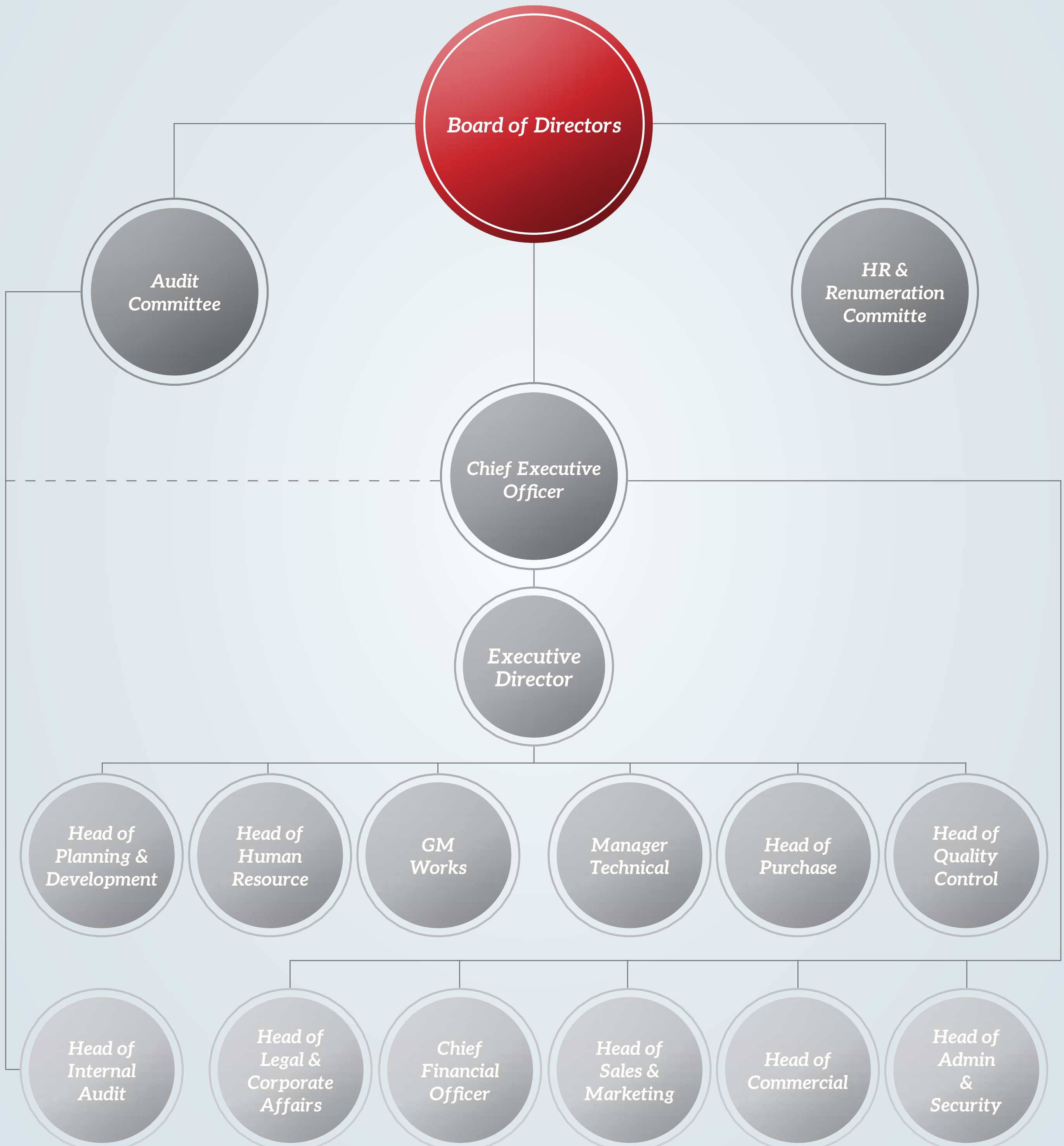
HEAD OFFICE

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 & Renumeration Committe
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
Head of Legal & Corporate Affairs
Chief Financial Officer
Head of Sales & Marketing
Head of Commercial
Head of Admin & Security

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 36th Annual General Meeting of the shareholders of Kohat Cement Company Limited ("Company") will be held on Thursday, October 15, 2015 at 10:00 AM, 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, 2015 together with Auditors' and Directors' Reports thereon.

2. To consider and if think fit, approve, as recommended by the Board of Directors, the final cash dividend for the year ended June 30, 2015 @ 40% i.e. Rs. 4/- per ordinary share. This would be in addition to the 50% 1st interim cash dividend (Rs. 5 per share) already paid during the year.

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 23, 2015

NOTES:

1. The register of members and the share transfer books of the Company will be closed from Thursday, October 08, 2015 to Thursday October 15, 2015 (both days inclusive). Physical transfers / CDS transactions IDs received in order at the Company's Independent Share Registrar Office, M/s. Hameed Majeed Associates (Pvt.) Limited, HM House, 7-Bank Square, Lahore, upto the close of business on Wednesday, October 07, 2015 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 once again requested to send the same at the office of Independent Share Registrar of the Company. Failure to comply with the above directives shall result in withholding of dividend warrants by 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 prescribed rates of withholding of income tax from the amount of dividend paid by the Company are as under:
   For filers of income tax returns - 12.5%
   For non-filers of income tax returns - 17.5%

   To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, all the shareholders whose names are not entered into the Active Taxpayers' List (ATL) provided on the website of the FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

   The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

9. The FBR has clarified that shareholders' accounts jointly held by filers and Non-filers shall be dealt with separately and in such particular situation, each account holder is to be treated individually as either a filer or a non-filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the close of business on October 15, 2015.

Folio / CDC Account No.	Name of shareholder	CNIC	Shareholding	Total shares	Principal/joint shareholder

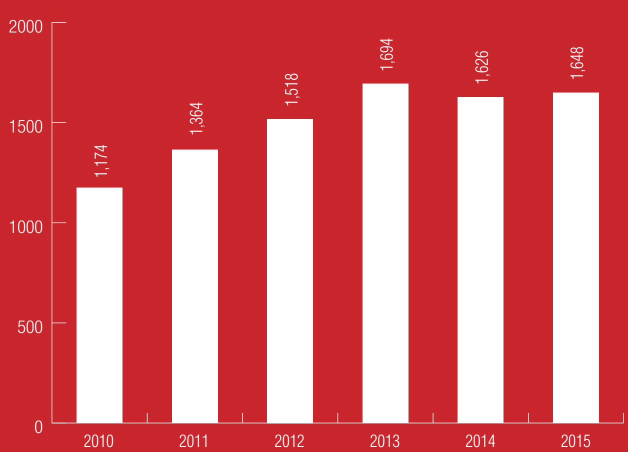
   For any query/problem/information, the investors may contact the Company and/or the Share Registrar.

10. The financial statements of the Company for the year ended 30 June 2015 along with Auditors and Directors Report thereon have been placed on the company's website: www.kohatcement.com.

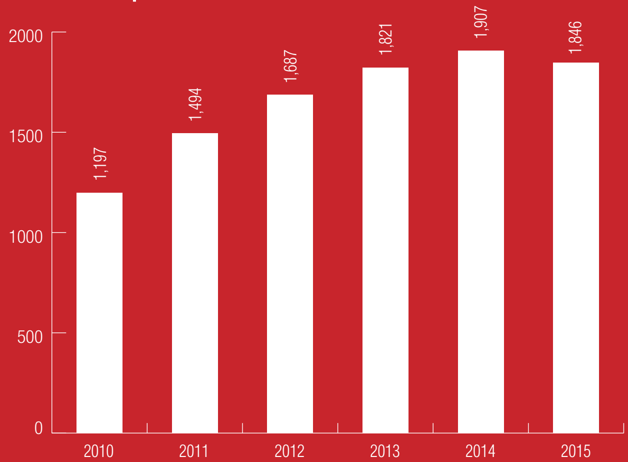
DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Kohat Cement Company Limited (the Company) are pleased to present the Annual Report together with audited financial statements and Auditors' report thereon for the year ended June 30, 2015.

Clinker Production ('000 tons)



Cement Dispatches ('000 tons)



OVERVIEW

The cement sector of Pakistan registered an overall growth of 3.27% in terms of sales volumes during financial year ended 30th June 2015. Domestic consumption increased by 7.89% to 28.21 million MT (2014: 26.145 million MT) while exports decreased to 7.20 million MT (2014: 8.137 million MT) registering a decline of 11.57%.

The Company dispatched 1.85 million MT (2014: 1.9 million MT) of cement during the year. The decline in Sales volume was due to illegal obstruction in the mining operations of the company by some local miscreants, for a short period of time.

PRODUCTION AND SALE VOLUMES

New grey cement line operated at 80.20% capacity utilization while no Clinker was produced from old grey cement line as the new line continues to fulfill the market demand. Below is the summary of production and sales of the company during the year:

	2015	2014
	Metric Tons	
Clinker Production	1,647,713	1,625,748
Cement Production	1,839,449	1,903,429
Local Sales	1,593,363	1,616,279
Export Sales	253,123	290,517
Total Sales	1,846,486	1,906,796

FINANCIAL PERFORMANCE

Despite the decrease in sales volume and increase in tax burden (3% Super Tax) the net profit after tax increased by 5.31% compared to last year. The factors contributing to increased profitability are declining coal prices, reduced financial costs and increased income from investment activities.

The operating performance of the company is summarized below:

	2015	2014
	Rupees in Million	
Net sales	12,472	12,766
Cost of sales	7,657	7,959
Gross profit	4,815	4,807
Selling, distribution & admin expenses	208	229
Other expenses	338	312
Other income	462	265
Finance cost	94	154
Profit before taxation	4,637	4,377
Taxes	1,315	1,222
Profit after taxation	3,322	3,155
Earnings per share (Rs./share)	21.50	20.42

FUTURE PROSPECTS

The Government spending on mega infrastructure projects including China Pakistan Economic Corridor (CPEC) in the years ahead shall have positive impact on the local demand of Cement while uncertainty is expected to prevail in the export markets. However, your management feels that the profitability of the Company shall be maintained in the foreseeable future.

WHR PROJECT

The Company is setting up 15MW Waste Heat Recovery Power Plant (WHRPP); an alternate/renewable energy project. Once set up, it shall significantly reduce the electricity cost of the company. Initially, it was expected that the WHRPP shall commence its operations by 30th June, 2015; however, due to delay in civil works on account of increased piling work and late arrival of foreign erection team because of the extensive security requirements of the local government; the project has gotten delayed.

Presently, the erection of WHRPP is being carried out at a fast pace and the management is confident that the WHRPP shall be operative before December 2015.

APPROPRIATIONS

TThe Board of Directors of your company is pleased to propose a 40 % final cash dividend of Rs. 4 per ordinary share for Financial Year ended June 30, 2015 which is in addition to 50% interim cash dividend already paid by the Company during the year.

Appropriations approved by directors are as under:

	Rs. (In '000')
Profit after taxation	3,322,268
Un-appropriated profits from prior years	6,846,233
Available for appropriation	**10,168,501**
Final cash dividend paid at Rs. 2 per share for the year ended June 30, 2014	(309,018)
Interim cash dividend paid at Rs. 5 per share for the year ended June 30, 2015	(772,543)
Un-appropriated profit carried forward	**9,086,940**

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The management is fully aware of the Company's obligations for compliance with the Code of Corporate Governance (the Code) as incorporated in the Listing Regulations of Karachi, Lahore and Islamabad 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, 2015.

FINANCIAL HIGHLIGHTS

Key operating & financial data of last six 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. 9 to the financial statements. There is no overdue amount on account of taxes and duties.

STATEMENT ON VALUE OF STAFF RETIREMENT FUNDS

The value of investments of provident fund based on its unaudited accounts as at June 30, 2015 is Rs. 86.838 million (2014: Rs. 65.462 million).

BOARD & ITS COMMITTEE MEETINGS

Attendances by each director at the Board of Directors (BOD) and Board Audit Committee (BAC) meetings are as under:

	MEETINGS ATTENDED	
	BOD	BAC
No. of meetings held	**4**	**5**
Mr. Aizaz Mansoor Sheikh	4 / 4	-
Mr. Nadeem Atta Sheikh	3 / 4	-
Mrs. Hijab Tariq	4 / 4	-
Mrs. Hafsa Nadeem	0 / 4	-
Ms. Aminah Aizaz Sheikh	2 / 4	3 / 5
Mr. Muhammad Atta Tanseer Sheikh	4 / 4	5 / 5
Mr. Muhammad Rehman Sheikh	4 / 4	5 / 5

The Directors who could not attend the Board & Committee Meetings and requested for leave were duly granted leave of absence from the meeting by the Board/Committees in accordance with the law.

DIRECTORS' TRAINING PROGRAM

Out of the seven Directors of Company, two have obtained certification under Directors' Certification Training Program during the current year. One director obtained the required certification in the previous year whereas two Directors are exempt from such certification as they duly meet the exemption criteria given in the Code. The remaining two directors shall complete the required certification during the financial year ending June 30, 2016.

TRADING IN COMPANY'S SHARES

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

			Purchased	Sold
1)	Mr. Aizaz Sheikh	CEO/Director	-	430,000
2)	Mr. Muhammad Atta Tanseer Sheikh	Director	-	100,000
3)	Mr. Ibrahim Tanseer Sheikh	Executive	-	92,000
4)	Sardar Shahbaz Ali Khan Khosa	Director's spouse	-	70,000
5)	Mrs. Mahnum Omer Sheikh	Executive's spouse	87,000	137,000

PATTERN OF SHAREHOLDING

The Pattern of Shareholding along with additional information as required by the Code 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.

STATEMENT U/S 241(2) OF COMPANIES ORDINANCE, 1984

This director report has been signed by two directors instead of chief executive officer and one director, as the chief execuitve officer is for the time being not in Pakistan.

For and on behalf of the Board

Lahore: September 14, 2015

Director **Director**

CORPORATE SOCIAL RESPONSIBILITY

COMMITMENT TO CORPORATE RESPONSIBILITY

As an industrial Group with strong local roots, we believe that sustained economic growth is only possible with social progress and wellbeing of local communities in particular and overall society in general. This starts with our own employees, whose health and safety is our foremost priority. Our impact on neighboring communities means that we must also play an active part in their socio-economic development. On a local level this takes the form of improving access to health services and education, taking part in rural and urban development and environmental conservation programs and helping create businesses and jobs. These actions are carried out in consultation with local stakeholders and our employees have an opportunity to play a role, through different programs in line with the company values. During the year the Company took various initiatives under its Corporate Social Responsibility programs; brief of which is given hereunder:

EDUCATION

Student Scholarship Program

To ensure that education is made available to every strata of our society the Company established a Scholarship program for the talented and deserving students. During the year Company sponsored a total of 8 students from Namal College, Mianwali, UET Peshawar, Aims College, Fisalabad and Parho Likho Pakistan, under this program and spent Rs. 727,500 on these scholarships.

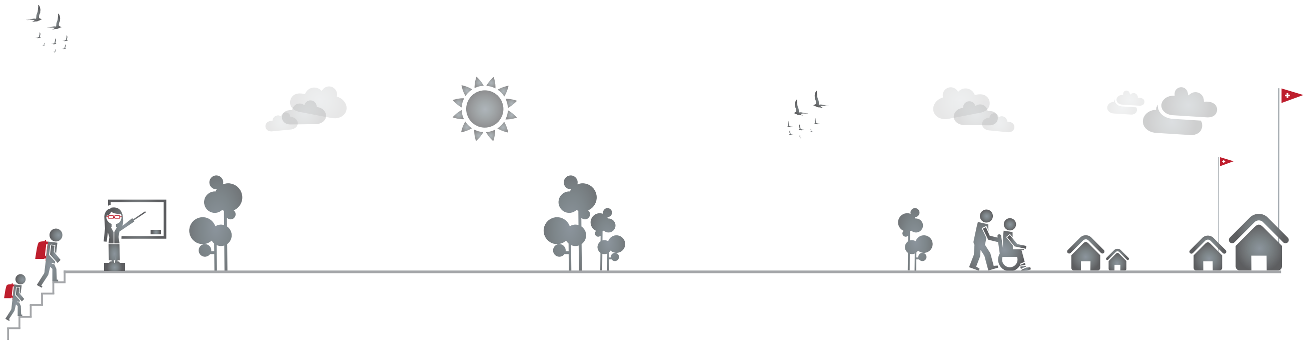
Kohat Cement Educational Trust

Company formed Kohat Cement Educational Trust (KCET) in 2002 for undertaking social activities for the upgrdation of local community residing nearby the Factory. KCET is currently running a School at factory site to provide affordable education to the children of the residents of local community. In order to make the Trust financially self-sufficient; in previous years, Company sponsored and arranged investment of the Trust in the shares of Kohat Cement Company Limited, and now the Trust is receiving good annual return in the shape of dividends from such investment. Annual expenditures of the Trust are about Rs. 2.1 million which are primarily financed through dividend income from Kohat Cement, nominal tuition fee from students and balance is contributed by the Kohat Cement Co. Limited. This year Company contributed Rs 826,400 towards the Trust to fill in the gap.

COMMUNITY WELFARE

Qarz-e- Hassan Scheme

In current year, Kohat Cement Company Limited and Akhuwat joined hands to promote economic development in the marginalized segments of Kohat. The basic function of this collaboration is to provide micro finance facility to the small entrepreneurs at local level so that they can scale up businesses or enhance production to increase their incomes.



According to the agreement; Kohat Cement shall contribute Rs. 10 million to Akhuwat to create a permanent pool for disbursement of interest free micro loans to the local residents of Kohat. Further, the Company shall also bear the administration cost of the Akhuwat Branch opened in Kohat City which is around Rs. 1.5 million annually.

During the year, Company donated Rs. 6 million to Akhuwat under the agreement to create the pool and has further contributed Rs. 1.08 million on account of administration costs of the branch. So far more than 400 families (including 1/4th women) have benefited from the micro finance facility under this scheme.

Financial Assistance

We believe that once you join KCCL you become an integral part of the KCCL family. Thus, being a responsible family head we are supporting a total of 07 families of our deceased employees.

Training Programs

In the year under review 09 internees were inducted and trained at the Head office and the Plant.

Basic Health Care

We maintain a medical dispensary within the factory premises, which operates 24 hours a day to provide basic health care to employees and their families.

Medical Camps

The Company seeks to improve the availability of and access to quality healthcare among the poor, women and children residing in remote villages. The aim is to establish a fully functional, need based, decentralized health delivery system to fulfill the vision of “Health for All”.

The Company with the collaboration of Al-Khidmat Foundation took an immediate step for the provision of health care facility and arranged free medical camps for deserving people at Shadi Khail, Khushal Garh, Kotari and Shadipur. The Company spent Rs 200,000 to sponsor medical test and treatment of more than 1,200 people at these medical camps.

Eye Camps

Kohat Cement in collaboration with Al Shifa Trust Eye Hospital setup a free Eye camp at Shadi Khail District, Kohat. A total of 175 patients were treated at the camp and another 15 were referred to Al Shifa Hospital, Kohat for free eye surgeries. The company spent Rs 171,000 on this whole activity.

Wall Painting in Local Schools

The wall paintings initiative was undertaken to promote awareness and build a culture of safety amongst the children. The main themes for this activity were cleanliness, education, traffic awareness and plantation. A total of 4 schools were selected from Kohat to take part in this initiative:

Kohat Cement Education Trust School
Government Higher Secondary School
Quaid Inter College
Al Madina Public School

EMPLOYEE WELFARE

Occupational Health & Safety

Since 2012, safety performance has been incorporated into corporate performance metrics. Our HSE professionals conduct inspections on a regular basis and promptly and systematically address deficiencies identified.

In current year our HSE personnel conducted various Fire Fighting seminars for the Company employees to empower them with the knowledge of dealing with adverse situations.

Sports & Recreation

During April this year, annual inter-company cricket tournament took place at the Model Town cricket club. A total of 60 employees from Kohat factory and Lahore head office took part in the event.

Work Life Balance

At Kohat Cement we believe that the employee's private and professional life should have a good balance not only because it reinforces employee's satisfaction, loyalty and enhances productivity but also because it positively reflects on the Company's reputation. We at KCCL strictly follow a 9 am to 5 pm working routine. This ensures that our employees have plenty of time after work for extracurricular activities with their families and friends.

Hajj Sponsorship

Every year, two employees of the Company selected through ballot perform Hajj on the cost of the Hajj Fund maintained by the Company. Kohat cement contributed Rs. 279,181 towards Hajj Fund this year. So far 85 employees have performed Hajj under this Scheme.

Health Insurance for Employees

Group Medical Insurance policy for the Regular Employees has been introduced during the year. The Health Insurance allows employees and their families to receive the benefits of indoor medical treatment at leading medical institutions and hospitals. The Company spent Rs. 2.5 million on this scheme annually.

ENVIRONMENT

Plantation

The Company has initiated a program for plantation of trees in the Plant and surrounding areas. Company employees as well the local community is encouraged to take part in the tree plantation every season.

Energy Conservation

Under the company's constant pursuit of "Go Green" policy, the management of the Company is setting up a 15 MW Waste Heat Recovery power plant, which will substantially reduce carbon emissions and further reduce burden on National Grid.

CORPORATE PHILANTHROPY

Ghulab Devi Hospital – The Company donated Rs. 1,000,000 for free medical and surgical treatments of deserving patients and further Rs. 580,000 for the renovation work of a ward in the hospital.

Haji.M.Asghar Gurki Trust – Kohat cement donated Rs 500,000 to Haji. M.Asghar Ghurki Trust during the year for free medical and surgical treatment.

Kohat Chambers of Commerce – To promote trading activities, which in turn shall lead to job creation, in Khyber PakhtunKhwa (KPK) the Company made a contribution of Rs 50,000 to the Kohat Chambers of Commerce.

CONTRIBUTION TO NATIONAL EXCHEQUER

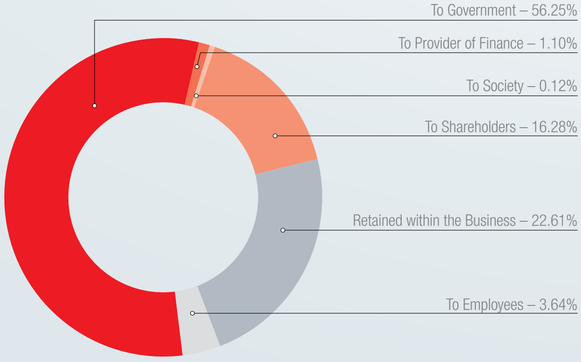
The Company contributed Rs. 4,794 million (2014: Rs. 4,657 million) to the National Exchequer in the form of duties and taxes and further deposited Rs. 181.6 million (2014: 126.1 million) into National Treasury being income tax deducted on payments made to various persons in terms of income tax laws.

Company also earned Foreign Exchange of USD 14.978 million (2014: USD 17.095 million) equivalent to Rs.1,530 million (2014: Rs. 1,750 million) for the country by exporting cement during the financial year.

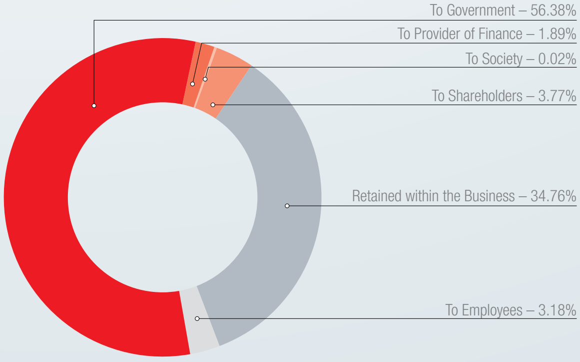
STATEMENT OF VALUE ADDITION

	2015		2014	
	Rs.	%	Rs.	%
VALUE ADDED				
Gross Revenue Generated	16,161,081,154		16,190,636,072	
Materials & Services	(7,617,951,099)		(8,004,189,360)	
	8,543,130,055		8,186,446,712	
To Employees as Remuneration	310,686,441	3.64%	259,708,160	3.18%
To Government as Taxes	4,806,512,499	56.25%	4,615,576,792	56.38%
Income Tax	1,315,172,352	15.39%	1,221,772,596	14.92%
Sales Tax	2,336,747,258	27.35%	2,365,128,176	28.89%
Federal excise duty	664,746,666	7.78%	637,122,440	7.78%
Royalty and excise duty	161,880,831	1.89%	84,345,723	1.03%
Workers welfare fund	79,586,229	0.93%	72,456,179	0.89%
Workers profit participation fund	248,379,163	2.91%	234,751,678	2.87%
To Provider of Finance as Finance Cost	93,741,914	1.10%	154,675,816	1.89%
To Society as Donation	9,921,000	0.12%	1,659,431	0.02%
To Shareholders as Dividend	1,390,578,210	16.28%	309,017,380	3.77%
Retained within the Business	1,931,689,991	22.61%	2,845,809,133	34.76%
	8,543,130,055	100%	8,186,446,712	100%

Value Added – 2015 (Percentage)



Value Added – 2014 (Percentage)



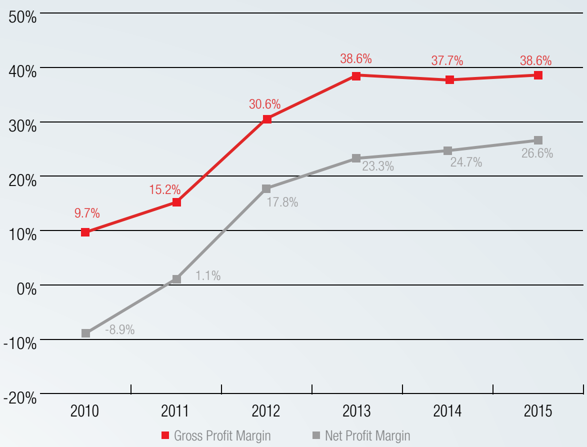
KEY FINANCIAL DATA

FOR THE LAST 6 YEARS

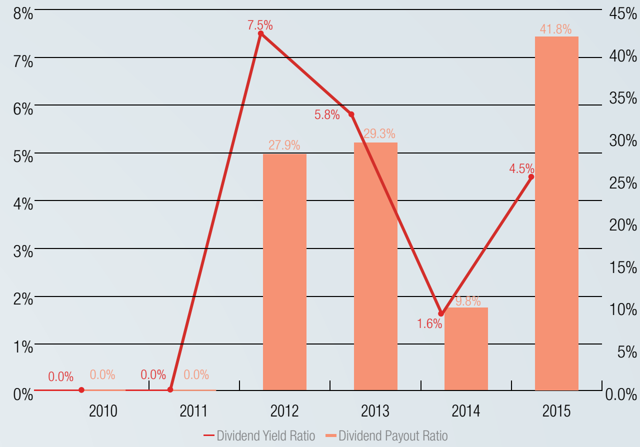
	2015	2014	2013	2012	2011	2010
BALANCE SHEET (Rs. 000)						
Shareholders equity	10,797,254	8,587,467	6,041,048	3,756,455	2,102,816	1,960,970
Non-current liabilities	2,141,344	1,868,454	2,459,315	2,557,126	4,211,045	3,469,937
Current liabilities	4,122,870	3,695,537	2,294,227	2,899,296	2,810,539	3,242,473
Non-current assets	8,627,831	7,161,708	6,668,425	6,894,496	7,170,782	7,266,211
Current assets	8,433,637	6,989,750	4,126,166	2,318,382	1,953,618	1,407,169
PROFIT & LOSS ACCOUNT (Rs. 000):						
Sales - net	12,472,197	12,765,670	11,297,213	9,316,381	6,085,435	3,692,038
Gross profit	4,814,921	4,806,700	4,360,867	2,852,404	927,132	357,021
EBITDA	5,122,656	4,903,322	4,393,399	3,010,422	1,152,278	539,431
EBIT	4,731,182	4,531,275	4,018,513	2,662,044	841,027	283,206
Profit/(loss) before tax	4,637,441	4,376,599	3,769,540	2,035,984	125,781	(382,238)
Profit/(loss) after tax	3,322,268	3,154,827	2,632,633	1,660,511	63,716	(327,777)
CASH FLOWS (RS. 000):						
Cash flows from operations	4,724,799	5,544,291	4,167,750	2,922,778	817,311	679,526
Operating activities	2,554,144	4,836,154	3,633,928	2,488,940	223,826	128,335
Investing activities	1,776,178	(2,804,122)	(1,021,019)	(84,426)	(150,235)	(162,230)
Financing activities	38,783	(1,197,388)	(1,157,461)	(2,117,092)	118,721	445,036
Cash and cash equivalents at the beginning of the year	1,855,340	1,020,697	(434,752)	(722,175)	(914,487)	(1,325,628)
Cash and cash equivalents at the end of the year	6,224,446	1,855,340	1,020,697	(434,752)	(722,175)	(914,487)
RATIO ANALYSIS						
PROFITABILITY RATIOS						
Gross profit ratio	38.61%	37.65%	38.60%	30.62%	15.24%	9.67%
Net profit to sales ratio	26.64%	24.71%	23.30%	17.82%	1.05%	-8.88%
EBITDA to sales ratio	41.07%	38.41%	38.89%	32.31%	18.94%	14.61%
Return on equity	30.77%	36.74%	43.58%	44.20%	3.03%	-16.72%
Return on capital employeed	36.57%	43.34%	47.27%	42.16%	13.32%	5.21%
LIQUIDITY RATIOS						
Current ratio	2.05	1.89	1.80	0.80	0.70	0.43
Quick ratio	1.71	1.49	1.05	0.22	0.21	0.15
Cash flow from operations to sales ratio	37.88%	43.43%	36.89%	31.37%	13.43%	18.41%
ACTIVITY/TURNOVER RATIOS						
Inventory turnover ratio	8.99	8.62	6.58	5.51	4.48	3.98
No. of days in inventory	40.60	42.33	55.49	66.26	81.46	91.79
Debtor turnover ratio	56.53	155.37	896.17	2074.45	484.2	184.51
No. of days in receivables	6.46	2.35	0.41	0.18	0.75	1.97
Total assets turnover ratio	0.73	0.90	1.05	1.01	0.67	0.43
Operating fixed assets turnover ratio	1.92	1.87	1.73	1.41	0.85	0.58
INVESTMENT/MARKET RATIOS						
Earnings per share	21.50	20.42	17.04	10.75	0.41	(2.12)
Price earning ratio	9.29	6.26	5.04	3.75	14.90	(3.11)
Dividend yield ratio	4.50%	1.56%	5.83%	7.45%	-	-
Dividend payout ratio	41.81%	9.81%	29.34%	27.90%	-	-
Dividend cover ratio	2.39	10.21	3.41	3.58	-	-
Cash dividend	90%	20%	50%	30%	-	-
Stock dividend	-	-	20%	-	-	-
Market value per share						
- Closing	199.85	127.82	85.83	40.26	6.11	6.60
- High	220.00	132.40	88.84	42.99	8.70	11.10
- Low	106.72	66.05	39.22	4.55	5.11	5.62
Breakup value per share of Rs. 10 each	69.88	55.58	46.92	29.17	16.33	15.23
CAPITAL STRUCTURE RATIOS						
Debt to equity ratio	16:84	9:91	20:80	43:57	70:30	72:28
Interest cover ratio	50.47	29.30	16.14	4.25	1.18	0.43

GRAPHICAL ANALYSIS

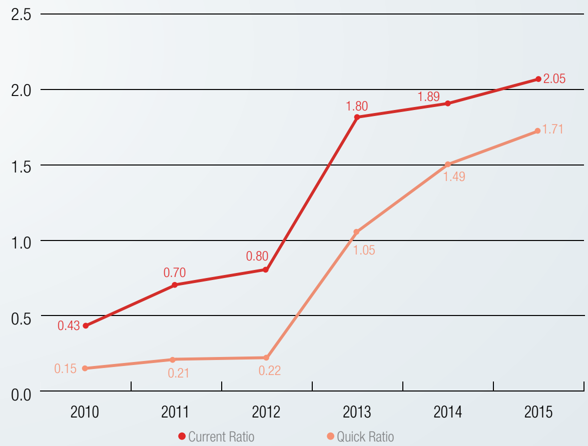
Profitability Ratios



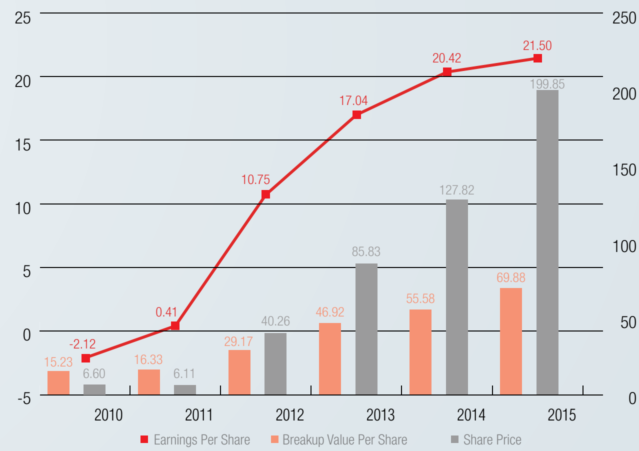
Market Ratios



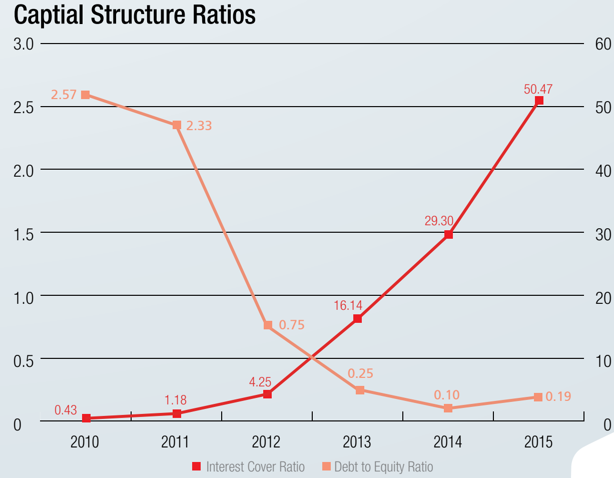
Liquidity Ratios



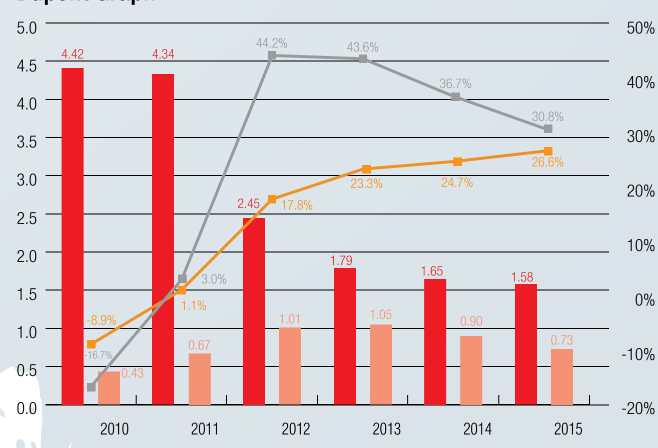
Market Ratios



Captial Structure Ratios



Dupont Graph



HORIZONTAL & VERTICAL ANALYSIS OF BALANCE SHEET

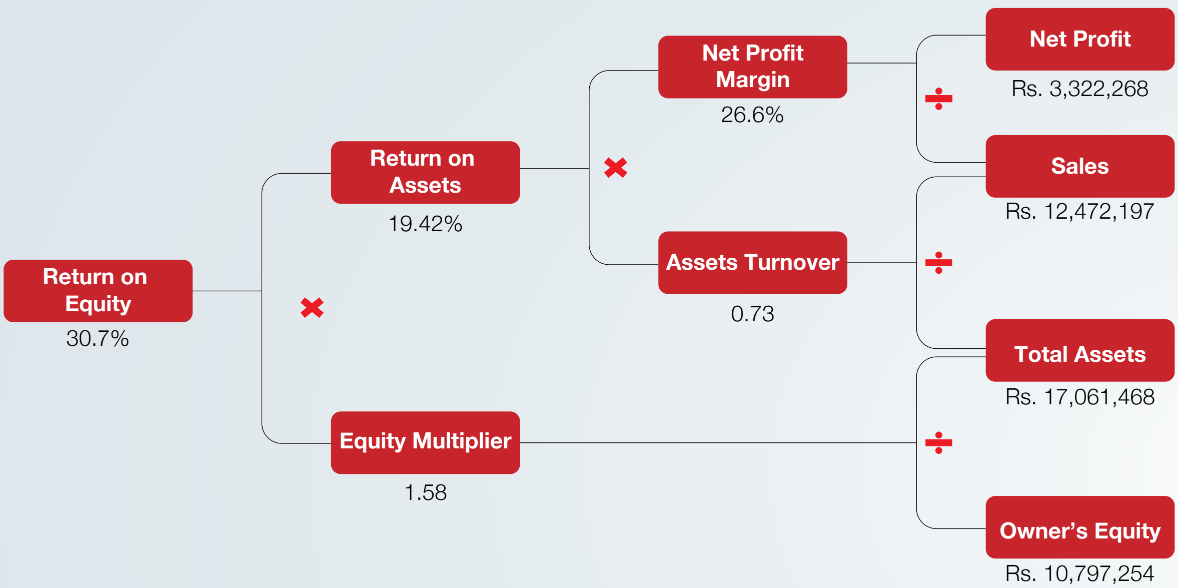
	2015		2014		2013		2012		2011		2010	
	Rs. 000	%	Rs. 000	%	Rs. 000	%	Rs. 000	%	Rs. 000	%	Rs. 000	%
Horizontal Analysis												
Equity & Liabilities												
Shareholders equity	10,797,254	25.73	8,587,467	42.15	6,041,048	60.82	3,756,455	78.64	2,102,816	7.23	1,960,970	(13.67)
Non-current liabilities	2,141,344	14.61	1,868,454	(24.03)	2,459,315	(3.83)	2,557,126	(39.28)	4,211,045	21.36	3,469,937	1.85
Current liabilities	4,122,870	11.56	3,695,537	61.08	2,294,227	(20.87)	2,899,296	3.16	2,810,539	(13.32)	3,242,473	10.05
	17,061,468	**20.56**	**14,151,458**	**31.10**	**10,794,590**	**17.17**	**9,212,877**	**0.97**	**9,124,400**	**5.20**	**8,673,380**	**0.56**
Assets												
Non-current assets	8,627,831	20.47	7,161,708	7.40	6,668,425	(3.28)	6,894,495	(3.85)	7,170,782	(1.31)	7,266,211	4.11
Current assets	8,433,637	20.66	6,989,750	69.40	4,126,166	77.98	2,318,382	18.67	1,953,618	38.83	1,407,169	(14.49)
	17,061,468	**20.56**	**14,151,458**	**31.10**	**10,794,590**	**17.17**	**9,212,877**	**0.97**	**9,124,400**	**5.20**	**8,673,380**	**0.56**
Vertical Analysis												
Equity & Liabilities												
Shareholders equity	10,797,254	63.29	8,587,467	60.69	6,041,048	55.97	3,756,455	40.77	2,102,816	23.05	1,960,970	22.61
Non-current liabilities	2,141,344	12.55	1,868,454	13.20	2,459,315	22.78	2,557,126	27.76	4,211,045	46.15	3,469,937	40.01
Current liabilities	4,122,870	24.16	3,695,537	26.11	2,294,227	21.25	2,899,296	31.47	2,810,539	30.80	3,242,473	37.38
	17,061,468	**100.00**	**14,151,458**	**100.00**	**10,794,590**	**100.00**	**9,212,877**	**100.00**	**9,124,400**	**100.00**	**8,673,380**	**100.00**
Assets												
Non-current assets	8,627,831	50.57	7,161,708	50.61	6,668,425	61.78	6,894,495	74.84	7,170,782	78.59	7,266,211	83.78
Current assets	8,433,637	49.43	6,989,750	49.39	4,126,166	38.22	2,318,382	25.16	1,953,618	21.41	1,407,169	16.22
	17,061,468	**100.00**	**14,151,458**	**100.00**	**10,794,590**	**100.00**	**9,212,877**	**100.00**	**9,124,400**	**100.00**	**8,673,380**	**100.00**

HORIZONTAL & VERTICAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

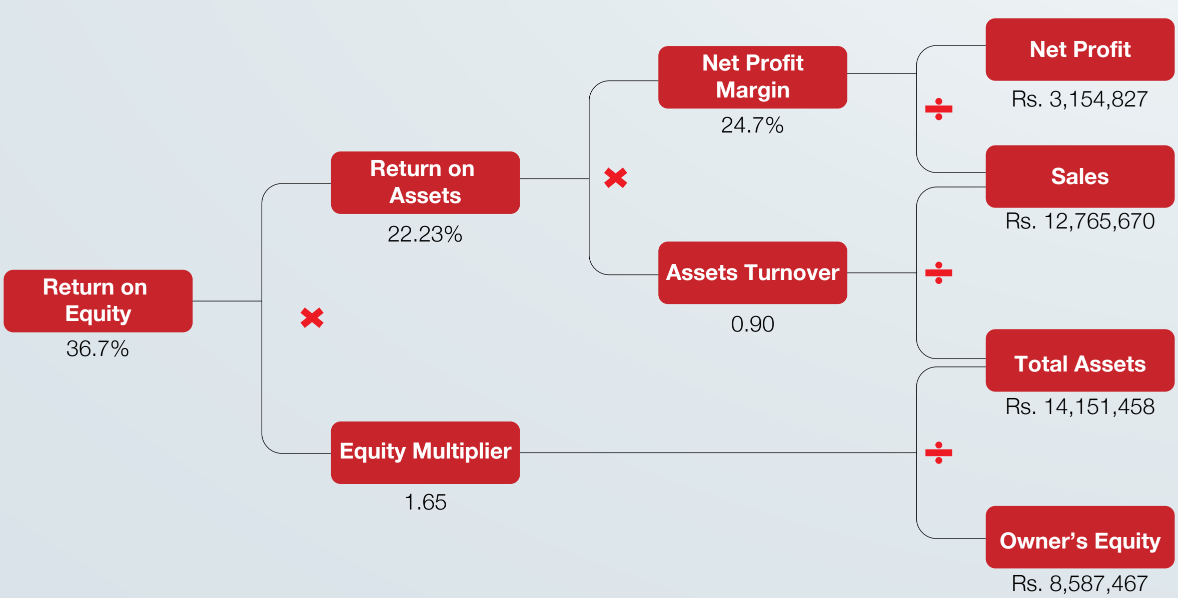
	2015		2014		2013		2012		2011		2010	
	Rs. 000	%	Rs. 000	%	Rs. 000	%	Rs. 000	%	Rs. 000	%	Rs. 000	%
Horizontal Analysis												
Sales - Net	12,472,197	(2.30)	12,765,670	13.00	11,297,213	21.26	9,316,381	53.09	6,085,435	64.83	3,692,038	8.73
Cost of goods sold	(7,657,276)	(3.79)	(7,958,970)	14.74	(6,936,346)	7.31	(6,463,977)	25.31	(5,158,303)	54.67	(3,335,017)	28.71
Gross profit	**4,814,921**	**0.17**	**4,806,700**	**10.22**	**4,360,867**	**52.88**	**2,852,404**	**207.66**	**927,132**	**159.69**	**357,021**	**(55.63)**
Selling and distribution expenses	(94,163)	13.97	(82,622)	41.48	(58,400)	26.29	(46,243)	12.24	(41,199)	(26.75)	(56,246)	(49.55)
Administrative and general expenses	(113,725)	(22.19)	(146,151)	69.11	(86,423)	29.54	(66,715)	36.58	(48,845)	35.89	(35,944)	19.44
Other operating expenses	(337,886)	8.33	(311,907)	33.43	(233,754)	116.11	(108,165)	556.16	(16,485)	240.89	(4,836)	46.90
Other operating income	462,035	74.19	265,255	632.28	36,223	17.75	30,764	50.62	20,424	(12.00)	23,211	(32.17)
Operating profit	**4,731,182**	**4.41**	**4,531,275**	**12.76**	**4,018,513**	**50.96**	**2,662,045**	**216.52**	**841,027**	**196.97**	**283,206**	**(59.19)**
Finance cost	(93,741)	(39.39)	(154,676)	(37.87)	(248,973)	(60.23)	(626,061)	(12.47)	(715,246)	7.48	(665,444)	(1.08)
Profit before tax	4,637,441	5.96	4,376,599	16.10	3,769,540	85.15	2,035,984	1,518.68	125,781	132.91	(382,238)	(1,904.33)
Taxation	(1,315,173)	7.64	(1,221,772)	7.46	(1,136,907)	202.79	(375,473)	504.97	(62,065)	(213.96)	54,461	821.77
Profit after tax	**3,322,268**	**5.31**	**3,154,827**	**19.84**	**2,632,633**	**58.54**	**1,660,511**	**2,506.11**	**63,716**	**119.44**	**(327,777)**	**(1,309.84)**
Vertical Analysis												
Sales - Net	12,472,197	100.00	12,765,670	100.00	11,297,213	100.00	9,316,381	100.00	6,085,435	100.00	3,692,038	100.00
Cost of goods sold	(7,657,276)	(61.39)	(7,958,970)	(62.35)	(6,936,346)	(61.40)	(6,463,977)	(69.38)	(5,158,303)	(84.76)	(3,335,018)	(90.33)
Gross profit	**4,814,921**	**38.61**	**4,806,700**	**37.65**	**4,360,867**	**38.60**	**2,852,404**	**30.62**	**927,132**	**15.24**	**357,021**	**9.67**
Selling and distribution expenses	(94,163)	(0.75)	(82,622)	(0.65)	(58,400)	(0.52)	(46,243)	(0.50)	(41,199)	(0.68)	(56,246)	(1.52)
Administrative and general expenses	(113,725)	(0.91)	(146,151)	(1.14)	(86,423)	(0.76)	(66,715)	(0.72)	(48,845)	(0.80)	(35,944)	(0.97)
Other operating expenses	(337,886)	(2.71)	(311,907)	(2.44)	(233,754)	(2.07)	(108,165)	(1.16)	(16,485)	(0.27)	(4,836)	(0.13)
Other operating income	462,035	3.70	265,255	2.08	36,223	0.32	30,764	0.33	20,424	0.34	23,211	0.63
Operating profit	**4,731,182**	**37.93**	**4,531,275**	**35.50**	**4,018,513**	**35.57**	**2,662,045**	**28.57**	**841,027**	**13.82**	**283,206**	**7.67**
Finance cost	(93,741)	(0.75)	(154,676)	(1.21)	(248,973)	(2.20)	(626,061)	(6.72)	(715,246)	(11.75)	(665,444)	(18.02)
Profit before tax	**4,637,441**	**37.18**	**4,376,599**	**34.28**	**3,769,540**	**33.37**	**2,035,984**	**21.85**	**125,781**	**2.07**	**(382,238)**	**(10.35)**
Taxation	(1,315,173)	(10.54)	(1,221,772)	(9.57)	(1,136,907)	(10.06)	(375,473)	(4.03)	(62,065)	(1.02)	54,461	1.48
Profit after tax	**3,322,268**	**26.64**	**3,154,827**	**24.71**	**2,632,633**	**23.30**	**1,660,511**	**17.82**	**63,716**	**1.05**	**(327,777)**	**(8.88)**

DUPONT ANALYSIS

2015 ('000')



2014 ('000')



STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in the Regulation No. 5.19 of Rule Book of Karachi Stock Exchange and Regulation No. 35 of the Listing Regulations of 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 1(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 broker of any stock exchange.

4. No casual vacancy accrued on the Board of Directors during the year.

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

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

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

8. The meetings of the Board were presided over by a 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 two Directors of the Company attended Directors' Certification Training Program and obtained certificates from an institute duly approved by the Securities and Exchange Commission of Pakistan.

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

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

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

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

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

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

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 exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange(s).

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

STATEMENT U/S 241(2) OF COMPANIES ORDINANCE, 1984

This statement of compliance has been signed by two directors instead of chief executive officer and one director, as the chief execuitve officer is for the time being not in Pakistan.

Lahore: September 14, 2015 Director Director

Financial Statements

For the year ended 30 June 2015

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 2015 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 2015.

KPMG Taseer Hadi & Co.
Chartered Accountants
(M.Rehan Chugtai)

Lahore: September 14, 2015

Auditors' Report to the Members

We have audited the annexed balance sheet of Kohat Cement Company Limited ("the Company") as at 30 June 2015, 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 account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, 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
(M.Rehan Chugtai)

Lahore: September 14, 2015

Balance Sheet
As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
Authorized share capital	4	3,000,000,000	3,000,000,000
Issued, subscribed and paid-up capital	4	1,545,086,900	1,545,086,900
Reserves	5	165,227,112	196,147,652
Accumulated profits		9,086,940,116	6,846,232,745
		10,797,254,128	8,587,467,297
Non-current liabilities			
Long term finances - secured	6	994,736,840	146,500,000
Long term deposits	7	2,036,100	2,061,100
Deferred liabilities			
- deferred taxation	8.1	1,135,154,179	1,284,110,198
- compensated absences	8.2	9,416,950	6,858,093
- deferred mark-up on long term finances	11	–	428,924,206
		2,141,344,069	1,868,453,597
Current liabilities			
Current portion of long term finances	6	430,710,528	233,800,000
Trade and other payables	9	1,917,428,173	1,837,976,548
Short term borrowings - secured	10	598,000,000	498,000,000
Interest / mark-up accrued on borrowings	11	438,388,476	398,980,489
Provision for taxation		738,343,179	726,779,510
		4,122,870,356	3,695,536,547
Contingencies and commitments	12		
		17,061,468,553	14,151,457,441

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

Balance Sheet
As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	13	8,164,179,999	7,109,295,417
Intangibles	14	445,181	885,387
Long term loans and advances	15	5,189,757	10,260,442
Long term deposits	16	41,266,640	41,266,640
Investment property	17	416,749,671	–
		8,627,831,248	7,161,707,886
Current assets			
Stores, spares and loose tools	18	1,032,333,172	1,010,962,696
Stock in trade	19	355,137,623	469,501,350
Trade debts - unsecured, considered good		220,618,994	82,163,137
Short term investments	20	3,354,540,000	3,197,171,078
Advances, deposits, prepayments and other receivables	21	546,561,635	374,610,885
Cash and bank balances	22	2,924,445,881	1,855,340,409
		8,433,637,305	6,989,749,555
		17,061,468,553	14,151,457,441

Statement U/S 241 (2) of the Companies Ordinance, 1984;

These financial statements have been signed by two Directors instead of Chief Executive Officer and one Director, as the Chief Executive Officer is for the time being not in Pakistan.

Director

Director

Profit and Loss Account

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	23	12,472,196,679	12,765,670,059
Cost of goods sold	24	(7,657,275,186)	(7,958,970,205)
Gross profit		4,814,921,493	4,806,699,854
Selling and distribution expenses	25	(94,163,118)	(82,621,730)
Administrative and general expenses	26	(113,724,870)	(146,150,841)
Other income	27	462,035,354	265,255,098
Other charges	28	(337,886,392)	(311,907,456)
		(83,739,026)	(275,424,929)
Operating profit		4,731,182,467	4,531,274,925
Finance cost	29	(93,741,914)	(154,675,816)
Profit before taxation		4,637,440,553	4,376,599,109
Taxation	30	(1,315,172,352)	(1,221,772,596)
Profit after taxation		3,322,268,201	3,154,826,513
Earnings per share - basic and diluted	31	21.50	20.42

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

Statement U/S 241 (2) of the Companies Ordinance, 1984;

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Director

Director

Statement of Comprehensive Income

For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
Profit after taxation	3,322,268,201	3,154,826,513
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	171,159,936	190,208,181
- reclassified to profit and loss account	(202,080,476)	(154,829,187)
	(30,920,540)	35,378,994
Total comprehensive income for the year	3,291,347,661	3,190,205,507

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

Statement U/S 241 (2) of the Companies Ordinance, 1984;

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Director

Director

Statement of Changes in Equity

For the year ended 30 June 2015

		Reserves					
		Capital reserves		Revenue reserves			
	Share capital	Share premium	Fair value reserve	General reserve	Accumulated profit	Total reserves	Total
				Rupees			
As at 01 July 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
Total comprehensive income for the year							
Profit for the year ended 30 June 2015	–	–	–	–	3,322,268,201	3,322,268,201	3,322,268,201
Other comprehensive income for the year ended 30 June 2015	–	–	(30,920,540)	–	–	(30,920,540)	(30,920,540)
	–	–	(30,920,540)	–	3,322,268,201	3,291,347,661	3,291,347,661
Transactions with owners of the Company							
Final cash dividend at Rs. 2.00 per share for the year ended 30 June 2014	–	–	–	–	(309,017,380)	(309,017,380)	(309,017,380)
Interim cash dividend at Rs. 5.00 per share for the year ended 30 June 2015	–	–	–	–	(772,543,450)	(772,543,450)	(772,543,450)
As at 30 June 2015	1,545,086,900	49,704,951	45,522,161	70,000,000	9,086,940,116	9,252,167,228	10,797,254,128

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

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Director

Director

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Cash flows from operating activities			
Cash generated from operations	32	4,724,799,457	5,544,291,278
Finance cost paid		(554,196,683)	(226,408,260)
Compensated absences paid	8.2	(1,323,812)	(2,011,243)
Income tax paid		(1,452,564,702)	(417,614,851)
Payment made to Workers' Welfare Fund		(72,545,128)	(19,756,028)
Payment made to Workers' Profit Participation Fund		(90,000,000)	(42,346,598)
Long term deposits paid		(25,000)	(37,000)
		(2,170,655,325)	(708,173,980)
Net cash generated from operating activities		2,554,144,132	4,836,117,298
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,379,400,488)	(863,622,223)
Proceeds from disposal of property, plant and equipment		7,480,000	1,167,000
Purchase of investment property		(416,749,671)	–
Short term investments - net		3,430,982,277	(2,043,445,247)
Interest on bank deposits and loan		128,795,183	96,663,050
Long term loans and advances received		5,070,685	5,152,317
Net cash generated from/ (used in) investing activities		1,776,177,986	(2,804,085,103)
Cash flows from financing activities			
Export refinance received		100,000,000	–
Long term finances received/ (paid)		1,045,147,368	(582,539,087)
Dividend paid		(1,106,364,014)	(614,849,407)
Net cash generated from/ (used in) financing activities		38,783,354	(1,197,388,494)
Net increase in cash and cash equivalents		4,369,105,472	834,643,701
Cash and cash equivalents at beginning of the year		1,855,340,409	1,020,696,708
Cash and cash equivalents at end of the year	33	6,224,445,881	1,855,340,409

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

Statement U/S 241 (2) of the Companies Ordinance, 1984;

These financial statements have been signed by two Directors instead of Chief Executive Officer and one Director, as the Chief Executive Officer is for the time being not in Pakistan.

Director

Director

Notes to the Financial Statements

For the year ended 30 June 2015

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 ANS Capital (Private) Limited is the holding company of the Company and holds 84,986,400 ordinary shares of the Company comprising 55% of its paid up share capital.

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 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 Standards, interpretations and amendments to published approved accounting standards

2.2.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015

- 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 amortisation 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 the Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended 30 June 2015

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendments 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. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

  Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value.

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupee ("Rs.") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

Notes to the Financial Statements

For the year ended 30 June 2015

2.5 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:

2.5.1 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. Any change in estimate may effect the depreciation charge or impairment. The rates of depreciation are specified in note 13.1.

2.5.2 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.

2.5.3 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.

2.5.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.5.5 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.

2.2.6 Stores, spare parts and loose tools

The Company reviews the stores, spare parts and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores and spare parts and loose tools with a corresponding effect on the provision.

2.2.7 Stock in trade

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3 Significant accounting polices

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

Notes to the Financial Statements

For the year ended 30 June 2015

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 3.13.

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 13.1 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, labor 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 Intangible assets

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 14.

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, labor 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.

Notes to the Financial Statements

For the year ended 30 June 2015

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% of basic salary. The Company's contribution is charged to profit and loss account currently.

Compensated absences

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

3.6 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments. Financial assets are de-recognized when the Company looses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. Any gain or loss on de-recognizing of the financial assets and financial liabilities is taken to profit and loss account currently.

The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

3.7 Investments

3.7.1 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.

3.7.2 At fair value through profit or loss - held for trading

An investment is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and repurchasing in near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes sales and purchase decision based on their fair value in accordance with the Company's investment strategy.

Notes to the Financial Statements

For the year ended 30 June 2015

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. Attributable transaction costs are recognized directly in profit and loss account. Subsequent to initial recognition, these investments are measured at fair value with any resulting gain or loss recognized directly in the profit and loss account.

3.7.3 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.

3.7.4 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.

3.7.5 Regular way purchases and sales of financial assets

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

3.8 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.

3.9 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.10 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.

3.11 Trade and other receivables

On initial recognition, these are measured at invoice value. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit and loss account. Provision is recognised for those that are considered doubtful for recovery. Bad debts are written off when there is no prospect of recovery.

3.12 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;
- Interest income is recognized as and when accrued on effective interest method; and
- Dividend income is recognized when the Company's right to receive payment is established.

Notes to the Financial Statements

For the year ended 30 June 2015

3.13 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.

3.14 Taxation

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.

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.

3.15 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.

3.16 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.

3.17 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.

Notes to the Financial Statements
For the year ended 30 June 2015

3.18 Impairment

3.18.1 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.

3.18.2 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.

3.19 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.

3.20 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for:

- use in production or supply of goods or services or for administrative purposes; and
- sale in the ordinary course of business.

Investment property comprises of land only and it is initially measured at cost, being the fair value of the consideration given. Subsequent to the initial recognition, the investment property is measured using the cost model as provided in International Accounting Standard 40 – Investment Property. The cost model requires to measure the investment property at each balance sheet date at its cost less any accumulated impairment losses.

The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Any gain or loss on disposal of an investment property calculated as the difference between the net proceeds from disposal and the carrying amount of the investment property is recognized in profit or loss account.

Notes to the Financial Statements

For the year ended 30 June 2015

		2015 Rupees	2014 Rupees
4	**Share capital**		
	Authorized share capital		
	300,000,000 (2014: 300,000,000) ordinary shares of Rs. 10 each	3,000,000,000	3,000,000,000
	Issued, subscribed and paid-up capital		
	Ordinary shares of Rs. 10 each		
	20,749,585 (2014: 20,749,585) shares fully paid-up in cash	207,495,850	207,495,850
	11,230,000 (2014: 11,230,000) shares issued for consideration other than cash	112,300,000	112,300,000
	122,529,105 (2014: 122,529,105) fully paid bonus shares	1,225,291,050	1,225,291,050
		1,545,086,900	1,545,086,900

4.1 ANS Capital (Private) Limited, holding company, holds 84,986,400 (2014: 84,986,400) ordinary shares comprising 55% of total paid up share capital of the company.

4.2 Kohat Cement Educational Trust, an associated undertaking, holds 116,958 (2014: 116,958), ordinary shares of Rs. 10 each of the Company.

4.3 Directors and Executives hold 26,175,889 (2014: 26,697,389) and 245,277 (2014: nil) ordinary shares of Rs. 10 each of the Company.

		Note	2015 Rupees	2014 Rupees
5	**Reserves**			
	Capital reserves			
	- share premium	5.1	49,704,951	49,704,951
	- fair value reserve	5.2	45,522,161	76,442,701
			95,227,112	126,147,652
	Revenue reserve			
	- general reserves		70,000,000	70,000,000
			165,227,112	196,147,652

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

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

		Note	2015 Rupees	2014 Rupees
6	**Long term finances - secured**			
	Syndicated term finance - ("STF III")	6.1	146,500,000	380,300,000
	Syndicated term finance - ("STF WHR")	6.2	1,278,947,368	–
			1,425,447,368	380,300,000
	Less: Current portion presented under current liabilities		(430,710,528)	(233,800,000)
			994,736,840	146,500,000

Notes to the Financial Statements

For the year ended 30 June 2015

6.1 STF III 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 million (2014: Rs. 1,520 million). Standard Chartered Bank (Pakistan) Limited is the lead arranger and Agent of this STF. As per the financing document the Company is required to comply with certain financial covenants which mainly include current ratio, debt to equity ratio, debt service coverage ratio. However, the Company was in compliance with these covenants at the year end.

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 which started 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 which started from 20 December 2011 and ending on 20 June 2016.

The Company in previous years, has made prepayment of Rs. 400 million by virtue of which the remaining outstanding principal is repayable in two unequal quarterly installments ending on 20 December 2015.

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

6.2 During the year, the Company has obtained Syndicated Term Finance facility for Waste Heat Recovery Power Plant ("STF WHR") of Rs. 1,600 million by way of Syndicated Term Finance Agreement entered on 20 November 2014 from a consortium of banking companies. Askari Bank Limited is the lead arranger and agent of this facility. Out of total facility, Rs. 1,350 million were drawn as at the balance sheet date. This facility carries mark-up at three month KIBOR plus a spread of 1.75% per annum, payable quarterly. The principal is repayable in nineteen equal quarterly installments which started after a grace period of three months from the first drawdown. This facility is secured by way of first pari passu charge over all present and future fixed assets of the Company amounting to Rs. 2,134 million and personal guarantees of sponsoring directors of the Company.

As per the financing document the Company is required to comply with the certain financial covenants which mainly include debt service coverage ratio, leverage ratio, current ratio, interest coverage ratio and long term debt to equity ratio. Further, the agreement also restricts the Company from declaration or payment of dividends, unless it is in compliance with the above mentioned covenants. However, the Company was in compliance with these covenants at the year end.

7 Long term deposits

These represent security deposits received from dealers and transporters. These deposits are repayable/adjustable on the termination of the relationship.

	Note	2015 Rupees	2014 Rupees
8 Deferred liabilities			
8.1 Deferred taxation			
Accelerated tax depreciation	8.1.1	1,135,154,179	1,284,110,198

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

	2015 Rupees	2014 Rupees
8.2 Compensated absences		
At beginning of the year	6,858,093	6,694,762
Expense recognized during the year	3,882,669	2,174,574
Less: Payments made during the year	(1,323,812)	(2,011,243)
At end of the year	9,416,950	6,858,093

Notes to the Financial Statements

For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
9	**Trade and other payables**			
	Trade creditors		371,378,323	138,255,106
	Contractors' bills payable		14,103,668	15,290,408
	Accrued liabilities	9.1	218,320,679	623,023,495
	Advances from customers		126,281,937	117,052,162
	Payable to Workers' Profit Participation Fund	9.2	563,772,126	403,215,648
	Payable to Workers' Welfare Fund	9.3	81,049,999	74,008,898
			1,374,906,732	1,370,845,717
	Payable to Government on account of:			
	Income Tax deducted at source		9,597,944	3,343,027
	Sales Tax		51,883,761	94,536,968
	Federal Excise Duty		60,915,016	33,164,000
	Royalty and Excise Duty		95,242,111	43,800,492
			217,638,832	174,844,487
	Securities and retention money payable	9.4	180,891,525	174,748,634
	Unclaimed dividend		5,223,393	3,201,959
	Dividend payable	9.5	21,542,371	48,366,989
	Other payables		117,225,320	65,968,762
			324,882,609	292,286,344
			1,917,428,173	1,837,976,548

9.1 The Company has filed an appeal before Supreme Court of Pakistan ("SCP") against levy of FPA by Peshawar Electric Supply Company which is pending adjudication. However, on filing by PESCO of civil petition, the Honorable Supreme Court of Pakistan ("SCP") granted leave from the operation of order of Peshawar High Court restraining PESCO from levying FPA. The Honorable Court allowed the recovery of FPA by PESCO in ten monthly installments and PESCO 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 booked the entire FPA arrears and has paid the same by the year end.

		Note	2015 Rupees	2014 Rupees
9.2	**Workers' Profit Participation Fund ("WPPF")**			
	At beginning of the year		403,215,648	199,583,970
	Allocation for the year	28	248,379,163	234,751,678
	Interest accrued	29	2,177,315	11,226,598
			653,772,126	445,562,246
	Less: Paid during the year		(90,000,000)	(42,346,598)
	At end of the year	9.2.1	563,772,126	403,215,648

9.2.1 The outstanding WPPF liability for the year represents Rs. 563.7 million (2014: 355.59 million) the leftover amount payable to Workers Welfare Fund in terms of Companies Profits Worker's Participation Act, 1968. According to the 18th amendment to the Constitution of Pakistan in 2010, all labour/ labour welfare laws have become provincial subject, and accordingly the left over amount is now payable to provincial government. However, no provincial authority has been constituted so far, to collect the left over amount. Hence, the Company has filed a writ petition before the Honourable Lahore High Court, seeking its directions to identify the legal authority to whom the left over amount shall be deposited. The said petition is pending adjudication.

Notes to the Financial Statements

For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
9.3	**Workers' Welfare Fund**			
	At beginning of the year		74,008,898	21,308,747
	Allocation for the year	28	79,586,229	72,456,179
	Less: Paid during the year		(72,545,128)	(19,756,028)
	At end of the year		81,049,999	74,008,898

9.4 This represents security deposits and retention money witheld from contractors and are repayable after satisfactory completion of contracts. It includes Rs. 166.31 million (2014: Rs. 170.05 million) equivalent to USD 1.24 million (2014: USD 1.24 million) and Euro 0.35 million (2014: 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.

9.5 Out of final cash dividend amounting to Rs. 386.34 million for the year ended 30 June 2012, dividend related to certain shareholders amounting to Rs. 20.97 million was withheld based on the order dated 25 October 2012 of the Honorable Lahore High Court and Securities and Exchange Commission of Pakistan approval vide letter number EMD/233/380/02-676 dated 23 November 2012 in response to application made by the Company under section 251(2) of the Companies Ordinance, 1984.

		Limit (Rupees in million)	Note	2015 Rupees	2014 Rupees
10	**Short term borrowings - secured**				
	Export refinances	598	10.1	598,000,000	498,000,000
				598,000,000	498,000,000

10.1 These facilities carry mark-up at SBP export refinance rate plus 1.00% (2014: SBP export refinance rate plus 1.00%) per annum and are available for a period of 180 days and can be rolled over for a further period of 180 days.

Limit covers both running finance and export refinance and is secured by first joint pari passu hypothecation charge of Rs. 1,328.67 million, ranking charge of Rs. 140 million on existing and future current assets of the Company; first joint pari pasu hypothecation charge of Rs. 653.85 million and ranking charge of Rs. 829.67 million on the fixed assets and equitable mortgage over immovable properties of the Company and personal guarantees of the directors of the Company.

		Note	2015 Rupees	2014 Rupees
11	**Interest / mark-up accrued on borrowings**			
	Long term finances - secured		10,545,427	1,371,891
	Deferred mark-up on Sukuk	11.1	362,844,785	665,028,877
	Deferred mark-up on STF-III	6.1	56,167,908	149,827,235
			419,012,693	814,856,112
	Non-current portion of deferred mark-up		–	(428,924,206)
	Short term borrowings - secured		8,830,356	11,676,692
			438,388,476	398,980,489

11.1 This represents markup relating to reprofiling of sukuk facility. 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 installments 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 has repaid the principal amount upto last year.

Notes to the Financial Statements

For the year ended 30 June 2015

12 Contingencies and commitments

12.1 Contingencies

12.1.1 The Engineering Services International (Pakistan) Limited raised a claim of Rs 5.45 million (2014: Rs. 5.45 million) against the Company on account of mechanical installation / erection. A counter claim of Rs. 1.31 million (2014: Rs. 1.31 million) was lodged by the Company. The case is pending with the Senior Civil Judge, Lahore.

12.1.2 The State Cement Corporation of Pakistan (Private) Limited, previous sole owner of the Company, raised a claim of Rs. 5.64 million (2014: 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.

12.1.3 Current management of the Company filed a claim before Secretary Finance, Government of Pakistan for recovery of Rs. 14.10 million (2014: 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 (2014: 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.

12.1.4 The Competition Commission of Pakistan ("CCP") took suo moto action under Competition Ordinance, 2007, (subsequently enacted as Competition Act, 2010 - the "Law") 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") challenging the vires of the law. The LHC, vide its order dated 24 August 2009, 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. The said levy of penalty has also been agitated by the Company before the LHC, and the LHC vide its order dated 31 August 2009 restrained CCP from enforcing its order against the Company for the time being.

The vires of the Law have been challenged by a number of petitioners and all such petitioners have been advised by their legal counsel that prima facie the Law 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"). In all these cases, stay orders have been granted by aforementioned courts.

12.1.5 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.

Further, in July 2012, the aforementioned shareholders have also filed a constitutional writ 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.

12.1.6 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.

12.1.7 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, as per the Company's legal counsel, 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.

12.1.8 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(A) 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 the Honorable Peshawar High Court ("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.

12.1.9 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 (2014: Rs. 68.33 million) comprising of Rs. 32.09 million (2014: Rs. 32.09 million) Custom Duty, Rs. 25.93 million (2014: Rs. 25.93 million) Sales Tax, Rs. 9.42 million (2014: Rs. 9.42 million) Income Tax and Rs. 0.89 million (2014: Rs. 0.89 million) Special Excise Duty.

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The treatment meted out by the Customs Authorities was challenged by the Company before the Honourable Sindh High Court (SHC) which was decided against the Company. The said order of the SHC is planned to be challenged by the Company before the Honourable Supreme Court of Pakistan on various legal and factual grounds. However, the Company has already deposited the entire demand determined by the Customs Authorities amounting of Rs. 68.33 million on directions from the SHC, out of which the Company claimed adjustment of Rs. 35.35 million against its tax liabilities under the relevant revenue laws.

12.1.10 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 the Honourable Lahore High Court (LHC) against the above mentioned order. Both litigations have been decided in favour of the Company. However, both these appellate decisions have been assailed by the tax department at respective forums i.e. through filing of appeal before the ATIR and through filing of an Intra Court Appeal before the the Honourable LHC, which are pending adjudication. Before the decision of matter, an amount of Rs. 14.80 million was deposited by the Company 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.

12.1.11 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.

12.1.12 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.

12.1.13 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.

12.1.14 DCIR has imposed and the Company has paid 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. The Company has deposited this penalty under protest. 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. Hence, the Company filed an appeal before CIR(A), which was decided by CIR(A) against the Company through a non speaking order which is contested by the Company before the honourable Appellate Tribunal Inland Revenue, Lahore which is pending adjudication.

12.1.15 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. 132.18 million (2014: Rs. 114.58 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.

12.1.16 The Deputy Commissioner Inland Revenue (DCIR), while rectifying deemed assessment of the Company for the Tax Year 2013 disallowed claim of prior years’ available refunds of Rs. 29.80 million without considering the facts and submissions of the Company. The arbitrary treatment meted out by the DCIR has been contested by the Company before Commissioner Inland Revenue (Appeals), where the Company is strongly expecting a favourable outcome.

12.1.17 The Federal Government vide Notifications dated 03 October 2014 & 01 November 2014 has imposed certain surcharges namely Debt Servicing Surcharge and Universal Obligation Surcharge @ 0.30/KWH & @ 0.60/KWH respectively (the “Surcharges”). The aforesaid Notifications were challenged by the Company along with various other stake holders before the Honourable Peshawar High Court (PHC) who passed a restraining order, thereby PESCO is refrained to recover the Surcharges till the final decision of the PHC. However, the aforesaid notifications were superseded vide Notification dated 10 June 2015.

12.1.18 The Federal Government vide Notification dated 10 June 2014 has imposed certain surcharges namely, Neelum Jehlum Surcharge @ 0.10/KWH, Financing Cost Surcharge @ 0.43/KWH and Tarif Rationalization Surcharge to be determined at the time of billing. The said surcharges were challenged by the Company along with various other stake holders before the Honourable Peshawar High Court on various legal grounds, wherein the Honourable Court has allowed stay to the petitioners restraining the PESCO to recover the amounts of surcharges.

Notes to the Financial Statements

For the year ended 30 June 2015

12.1.19 The Federal Government vide Notification No. 240(I)/2011 dated 15 March 2011 imposed EQ Surcharge on electricity consumption of the Company. The said levy was challenged by the Company before the Honourable Islamabad High Court through filing of writ petition, wherein the Honourable court granted stay in favour of the Company on December 20, 2011. Subsequently on 19 June 2014, the stay was vacated by the Court without any decision on the matter enabling the Peshawar Electricity Supply Company to recover entire levy of EQ Surcharge amounting to Rs 12.83 million.This payment has been made under protest. However, an identical matter has been subjudice before the Honourable Lahore High Court, wherein the stay order has been issued by the Honourable Court against the NEPRA. The Company's petition befor the Honourable Islamabad High Court is pending adjudication.

12.1.20 The Deputy Commissioner Inland Revenue (DCIR), disallowed Rs. 17.00 million being reversal of excess output tax paid by the Company on advances received from its dealers and imposed a penalty of Rs. 0.85 million, pertaining to Tax Periods August 2013, October 2013, December 2013, January 2014 and March 2014 without apprehending the facts and legal provisions which do not empower the DCIR to disallow the aforesaid amount. The treatment meted out by the DCIR has been challenged by the Company through filing of appeal before the Commissioner Inland Revenue (Appeals). However, the principal demand of Rs. 17.00 million has been deposited by the Company into State Treasury.

12.1.21 The Company was selected for Sales Tax Audit for Tax Year 2013 by the FBR. Audit was conducted and finalized by the Inland Revenue Department resulting into a levy of Federal Excise Duty of Rs. 2.93 million along with a penalty of Rs. 0.15 million and disallowance of input Sales Tax/levy of Sales Tax of Rs. 27.20 million along with imposition of a penalty of Rs. 0.88 million. This aggregate demand of Rs. 31.20 million has been contested by the Company through filing of appeal before the Commissioner Inland Revenue (Appeals), which is pending adjudication.

12.1.22 The Government of Khyber Pakhtunkhwa (KPK) has increased the rates of Royalty on minerals excavated by the Company from its lease areas, from Rs. 30 per metric tonne to Rs. 60 per metric tonne. The Company has contested this increase before the Honourable Peshawar High Court (PHC) on various legal grounds. The PHC has allowed stay to the Company against the enhanced rates of Royalty by the KPK Government, however, the final outcome of the writ petition filed by the Company is pending adjudication.

12.1.23 The Deputy Commissioner Inland Revenue (DCIR) issued a show cause notice U/S 205(1B) of the Income Tax Ordinance, 2001 (ITO, 2001) to the Company showing intention to impose default surcharge of Rs. 71.50 million for non payment of advance income tax liability for tax year 2014 under section 147 of the ITO, 2001 by the due date by working out the amount of default surcharge for the period from 01 April 2014 to the date of filing of income tax return. The Company is of the view that the default period for the purpose of default surcharge should commence from the due date of advance tax i.e. 15 June 2014 uptill the date of payment. Accordingly, the Company has challenged the basis of calculation of default surcharge before the Honourable Lahore High Court (LHC) seeking its intervention to declare such provisions as ultra vires the Constitution of Pakistan. The LHC has allowed inetrim relief to the Company whereby no default surcharge shall be levied and received by the department till the final decision of LHC.

12.1.24 The Sui Northern Gas Pipelines Limited (SNGPL) charged an amount of Rs. 12.19 million being Non-Metered Volume Adjustment for the period from June 16, 2013 to June 25, 2013 in the Sui Gas Bill of the Company for the month of August 2014. The said levy was challenged by the Company through filing of complaint before the designated officer of Oil and Gas Regulatory Authority (OGRA) which was decided partially in favour of the Company. Hence, the Company has filed an appeal before the OGRA against the aforesaid decision of the designated officer, which is pending adjudication.

Based on the opinion of the Company's legal counsels, 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.

12.1.25 Guarantees issued by Commercial Banks on behalf of the Company are of Rs. 118.730 million (2014: Rs. 118.730 million) in favor of SNGPL in accordance with the terms of agreement between the Company and SNGPL and Rs. 3.18 million (2014: Rs. 4.68 million) in favor of government institutions for supply of cement.

		Note	2015 Rupees	2014 Rupees
12.2	**Commitments**			
	In respect of letters of credit for:			
	- capital expenditure		64,721,700	930,155,224
	- stores and spares		80,290,574	319,247,212
			145,012,274	1,249,402,436
13	**Property, plant and equipment**			
	Operating fixed assets	13.1	6,465,042,583	6,816,809,387
	Capital work in progress	13.4	1,699,137,416	292,486,030
			8,164,179,999	7,109,295,417

Notes to the Financial Statements
For the year ended 30 June 2015

13.1 **Operating fixed assets**

	Cost					Depreciation				Net book
	As at 01 July 2014	Additions	Disposals	As at 30 June 2015	Depreciation Rate	As at 01 July 2014	For the year	Disposals	As at 30 June 2015	valueas at 30 June 2015
	Rupees						Rupees			
Freehold land	465,260,358	105,350	–	465,365,708	–	–	–	–	–	465,365,708
Factory building	2,753,204,510	–	(11,179,407)	2,742,025,103	4% - 5%	831,709,430	119,056,429	(5,424,407)	945,341,452	1,796,683,651
Office and other building	42,167,529	–	–	42,167,529	5%	17,645,947	1,226,079	–	18,872,026	23,295,503
Housing colony	48,108,904	–	–	48,108,904	5%	31,185,932	846,149	–	32,032,081	16,076,823
Plant, machinery and equipment	6,413,623,042	4,103,943	–	6,417,726,985	4% - 5% / units of production	2,143,477,474	250,261,345	–	2,393,738,819	4,023,988,166
Storage tanks and pipelines	30,148,252	–	–	30,148,252	10%	20,319,835	982,842	–	21,302,677	8,845,575
Power installations	97,291,071	45,000	–	97,336,071	10%	85,220,718	1,208,160	–	86,428,878	10,907,193
Furniture, fixtures and other office equipment	44,977,541	8,347,703	(321,404)	53,003,840	10%	25,176,636	2,364,172	(190,247)	27,350,561	25,653,279
Computer and printers	20,746,284	3,516,861	–	24,263,145	30%	15,351,435	2,052,315	–	17,403,750	6,859,395
Weighing scale	5,860,727	–	–	5,860,727	10%	3,244,139	261,659	–	3,505,798	2,354,929
Light vehicles	85,919,843	29,184,860	(4,442,000)	110,662,703	20%	51,583,637	8,776,636	(3,729,635)	56,630,638	54,032,065
Heavy vehicles	18,893,210	–	–	18,893,210	20%	12,508,877	1,276,867	–	13,785,744	5,107,466
Railway sidings	9,853,476	–	–	9,853,476	5%	7,835,824	100,883	–	7,936,707	1,916,769
Laboratory equipment	49,447,577	561,250	–	50,008,827	10%	23,443,568	2,618,661	–	26,062,229	23,946,598
Library books	94,217	–	–	94,217	10%	83,702	1,052	–	84,754	9,463
2015	10,085,596,541	45,864,967	(15,942,811)	10,115,518,697		3,268,787,154	391,033,249	(9,344,289)	3,650,476,114	6,465,042,583

	Cost					Depreciation				Net book
	As at 01 July 2013	Additions	Adjustment/ Disposals	As at 30 June 2014	Depreciation Rate	As at 01 July 2013	For the year	Adjustment/ Disposals	As at 30 July 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

Notes to the Financial Statements

For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
13.2	**Depreciation charge for the year has been allocated as follows:**			
	Cost of goods sold	24	387,826,563	369,473,470
	Selling and distribution expenses	25	537,660	424,882
	Administrative and general expenses	26	2,669,026	1,594,155
			391,033,249	371,492,507

13.3 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							
Kia Sportage Saloon Jeep	1,549,000	1,389,283	159,717	555,000	395,283	Negotiation	Mr. Muhammad Asif
Toyota Corolla	588,000	583,973	4,027	–	(4,027)	Insurance claim	
Toyota Corolla	1,809,000	1,275,504	533,496	900,000	366,504	Negotiation	Mr. Taimur Shani
Suzuki Khyber	496,000	480,875	15,125	200,000	184,875	Negotiation	Mr. Syed Afzal Haider
	4,442,000	3,729,635	712,365	1,655,000	942,635		
Factory Building							
Kiln area Line 2	11,179,407	5,424,407	5,755,000	5,755,000	–	Insurance claim	
	11,179,407	5,424,407	5,755,000	5,755,000	–		
Furniture, fixtures and other office equipment							
Apple I Phone 5-S	94,000	7,696	86,304	30,000	(56,304)	Negotiation	Yasir Eletronics
Furniture and fixtures	227,404	182,551	44,853	40,000	(4,853)	Negotiation	Mr. Zafar Hussain
	321,404	190,247	131,157	70,000	(61,157)		
2015	15,942,811	9,344,289	6,598,522	7,480,000	881,478		
2014	39,454,161	38,134,209	1,319,952	8,346,487	7,026,535		

		Note	2015 Rupees	2014 Rupees
13.4	**Capital work in progress**			
	Opening Balance		292,486,030	103,010,383
	Additions during the year	13.5.1	1,407,998,431	408,071,273
	Transfers during the year		(1,347,045)	(218,595,626)
	Closing balance	13.5	1,699,137,416	292,486,030
13.5	**The breakup is as follows:**			
	Plant and machinery		1,385,219,899	290,683,622
	Civil works		239,151,915	152,671
	Borrowing cost		74,765,602	1,649,737
			1,699,137,416	292,486,030

13.5.1 Borrowing cost capitalized includes Rs. 49.29 million relating to specific borrowing for setting up waste heat recovery plant capitalized at rates ranging from 8.53% to 11.37% (2014: nil) and Rs. 23.83 million using relating to general borrowing capitalized weighted average capitalization rate of 7.5% (2014: 9.44%) per annum.

Notes to the Financial Statements

For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
14	**Intangibles**			
	Cost	14.1	4,852,284	4,852,284
	Less: accumulated amortization	14.2	(4,407,103)	(3,966,897)
			445,181	885,387
	Amortization rate		20%	20%
	14.1 Cost			
	At beginning of the year		4,852,284	4,852,284
	Additions during the year		–	–
	At end of the year		4,852,284	4,852,284
	14.2 Accumulated amortization			
	At beginning of the year		3,966,897	3,412,476
	Amortization for the year		440,206	554,421
	At end of the year		4,407,103	3,966,897

		Note	2015 Rupees	2014 Rupees
15	**Long term loans and advances**			
	Loans to employees - secured, considered good	15.1	970,797	1,416,414
	Less: Receivable within one year	21.1	(481,040)	(555,972)
			489,757	860,442
	Loan to Sui Northern Gas Pipelines Limited ("SNGPL")	15.2	9,400,000	14,100,000
	Less: Receivable within one year	21	(4,700,000)	(4,700,000)
			4,700,000	9,400,000
			5,189,757	10,260,442

15.1 These include loan to an executive of the Company amounting to Rs. 0.46 million (2014: Rs. 0.69 million) and carry mark-up ranging from 5% to 9% (2014: 5% to 9%) per annum. During the year an amount of Rs. 0.24 million (2014: Rs. 0.22 million) has been repaid by the executive to the Company. There are no disbursements of long term loan to executives during the year (2014: 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 (2014: nil).

15.2 This represents loan given to SNGPL for infrastructure development for supply of natural gas to the Company. Mark-up is charged at 1.50% (2014: 1.50%) per annum and is received annually. Outstanding principal amount is recoverable in two annual installments of Rs. 4.7 million each ending on March 2017.

16 Long term deposits

These mainly include security deposits with Water and Power Development Authority and Sui Northern Gas Pipelines Limited.

17 Investment property

Investment property comprises of land that are held for capital appreciation. The carrying value of the investment property approximates its fair value as at the balance sheet date.

Notes to the Financial Statements

For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
18	**Stores, spares and loose tools**			
	Stores	18.1	417,466,012	412,998,662
	Spares		601,143,966	588,008,924
	Loose tools		13,723,194	9,955,110
			1,032,333,172	1,010,962,696

18.1 These include stores in transit valuing Rs. 245.57 million (2014: Rs. 109.50 million).

		Note	2015 Rupees	2014 Rupees
19	**Stock in trade**			
	Raw materials		24,054,486	24,023,322
	Packing materials		59,999,049	72,790,210
	Work in process		168,067,955	224,103,452
	Finished goods		103,016,133	148,584,366
			355,137,623	469,501,350
20	**Short term investments**			
	Available for sale - quoted investments			
	Gharibwal Cement Limited:			
	Cost		9,017,839	18,628,377
	Fair value gain	20.1	45,522,161	55,629,183
			54,540,000	74,257,560
	Money Market Mutual Funds:			
	Cost	20.2	–	3,102,100,000
	Fair value gain	20.2	–	20,813,518
			–	3,122,913,518
			54,540,000	3,197,171,078
	Loans and receivables			
	Investment in term deposit receipts	20.3	3,300,000,000	–
			3,354,540,000	3,197,171,078

20.1 Gharibwal Cement Limited

2,020,000 (2014: 4,212,000) ordinary shares of Rs. 10 each
Market value Rs. 27 per share (2014: Rs. 17.63 per share)

	Note	2015 Rupees	2014 Rupees
Cost			
At beginning of the year		18,628,377	20,168,100
Additions during the year		–	249,100
Less: Disposals during the year		(9,610,538)	(1,788,823)
		9,017,839	18,628,377
Fair value gain			
At beginning of the year		55,629,183	30,201,900
For the year		13,111,428	30,501,371
Less: Realized during the year	27	(23,218,450)	(5,074,088)
Fair value adjustment		45,522,161	55,629,183
		54,540,000	74,257,560

Notes to the Financial Statements

For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
20.2 Money Market Mutual Funds		
Cost		
At beginning of the year	3,102,100,000	902,285,843
Additions during the year	8,060,055,714	7,709,001,000
Less: Disposals during the year	(11,162,155,714)	(5,509,186,843)
	–	3,102,100,000
Fair value gain		
At beginning of the year	20,813,518	10,861,807
For the year	158,048,508	159,706,810
Less: Realized during the year	(178,862,026)	(149,755,099)
Fair value adjustment	–	20,813,518
	–	3,122,913,518

20.3 These represent investments in fixed deposit schemes of commercial banks with maturity of less than three months and carry interest rates ranging from 6.4% to 9.6% (2014: 8.55% to 9.55%) per annum.

	Note	2015 Rupees	2014 Rupees
21 Advances, deposits, prepayments and other receivables			
Advances - unsecured, considered good			
- to employees	21.1	2,281,931	1,931,172
- to suppliers		135,158,648	19,603,345
- to contractors		2,212,407	3,128,835
		139,652,986	24,663,352
Income tax paid under protest	21.2	5,000,000	5,000,000
Sales tax and Customs Duty paid under protest	21.3	91,354,715	41,277,678
Letter of credit / guarantee margin		38,224,482	45,480,957
Prepayments		646,886	675,488
Security deposits		7,226,112	7,102,102
Receivable from Provident Fund Trust		1,653,648	-
Accrued interest on bank deposits		7,041,986	390,411
Current portion of loan given to SNGPL	15	4,700,000	4,700,000
Duty drawback claims receivable on export sales		55,215,907	52,080,652
Other advances and receivables	21.4	195,844,913	193,240,245
		546,561,635	374,610,885
21.1 Advances to Company's employees			
Current maturity of long term loans to employees	15	481,040	555,972
Advances to employees against salary		1,411,958	1,082,043
Advances to employees against expenses		388,933	293,157
		2,281,931	1,931,172

21.2 This represents income tax paid to Federal Board of Revenue under protest as referred to in note 12.1.11.

21.3 These represent sales tax and custom duty paid to the relevant departments under protest, as referred to in notes 12.1.8, 12.1.9, 12.1.14 and 12.1.20.

21.4 This includes an amount of Rs. 166.31 million (2014: 170.05 million) equivalent to USD 2.68 million (2014: 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

Notes to the Financial Statements

For the year ended 30 June 2015

Rs. 91.11 million (2014: Rs. 82.27 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. The Company also withheld retention money of Rs. 166.31 million (2014: Rs. 170.05 million) of supplier till the resolution of this matter as referred in note 9.4. The managment beleives that there is no adverse exposure on the Company.

		Note	2015 Rupees	2014 Rupees
22	**Cash and bank balances**			
	Cash in hand		478,244	209,420
	Cash at bank			
	- current accounts		263,220,191	628,048,628
	- saving accounts	22.1	2,660,747,446	581,734,422
			2,923,967,637	1,209,783,050
	Call deposits		–	645,347,939
			2,924,445,881	1,855,340,409

22.1 These carry return at 4.50% to 9.10% (2014: 7.00% to 9.45%) per annum.

		Note	2015 Rupees	2014 Rupees
23	**Sales - net**			
	Local sales		14,169,422,530	14,175,457,060
	Export sales		1,529,623,270	1,749,923,914
			15,699,045,800	15,925,380,974
	Less: Sales tax		(2,336,747,258)	(2,365,128,176)
	Federal Excise Duty		(664,746,666)	(637,122,440)
	Commission on cement sales		(225,355,197)	(157,460,299)
			(3,226,849,121)	(3,159,710,915)
			12,472,196,679	12,765,670,059
24	**Cost of goods sold**			
	Raw materials consumed		464,805,562	479,048,191
	Packing materials consumed	24.1	798,591,019	755,287,173
	Power and fuel		2,165,448,496	2,085,805,035
	Coal, gas and furnace oil		2,947,075,110	3,351,006,171
	Coal unloading and feeding charges		3,468,056	3,449,919
	Stores and spares consumed		266,082,441	244,009,652
	Salaries, wages and other benefits	24.2	211,398,513	174,271,951
	Royalty and Excise Duty		161,880,831	84,345,723
	Rent, rates and taxes		22,103,483	18,484,308
	Repairs and maintenance		64,257,230	48,722,503
	Insurance		18,834,497	17,208,257
	Depreciation	13.2	387,826,563	369,473,470
	Other expenses		57,681,326	55,965,910
			7,569,453,127	7,687,078,263
	Work in process			
	At beginning of the year		224,103,452	497,825,501
	At end of the year		(168,067,955)	(224,103,452)
			7,625,488,624	7,960,800,312
	Finished goods			
	At beginning of the year		148,584,366	147,072,009
	At end of the year		(103,016,133)	(148,584,366)
			7,671,056,857	7,959,287,955
	Less: Cost attributable to own cement consumption		(13,781,671)	(317,750)
			7,657,275,186	7,958,970,205

Notes to the Financial Statements

For the year ended 30 June 2015

24.1 This amount is net of duty draw back on exports of Rs. 7.9 million (2014: Rs. 9.11 million).

24.2 Salaries, wages and other benefits include Rs. 3.81 million (2014: Rs. 3.95 million) and Rs. 2.75 million (2014: Rs. 1.6 million) in respect of provident fund contributions and compensated absences, respectively.

		Note	2015 Rupees	2014 Rupees
25	**Selling and distribution expenses**			
	Salaries, wages and other benefits	25.1	31,796,597	28,223,426
	Vehicle running expenses		3,884,595	4,348,004
	Travelling and conveyance		1,533,018	3,013,385
	Printing and stationery		822,611	943,410
	Postage, telephone and telegrams		1,149,178	967,408
	Entertainment		1,852,317	1,398,916
	Rent, rates and taxes		2,219,364	2,229,978
	Electricity, water and gas		364,462	373,138
	Sales promotion		4,194,957	4,655,147
	Depreciation	13.2	537,660	424,882
	Trade debts written off		–	494,301
	Cement loading charges		22,160,272	20,666,462
	Freight and handling charges on exports		23,043,975	373,620
	Miscellaneous		604,112	14,509,653
			94,163,118	82,621,730

25.1 Salaries, wages and other benefits include Rs. 0.80 million (2014: Rs. 0.58 million) and Rs. 0.42 million (2014: Rs. 0.20 million) in respect of provident fund contributions and compensated absences, respectively.

		Note	2015 Rupees	2014 Rupees
26	**Administrative and general expenses**			
	Salaries, wages and other benefits	26.1	67,491,331	57,212,783
	Vehicle running		1,017,900	658,139
	Traveling and conveyance		1,142,344	1,184,754
	Printing and stationery		3,336,989	2,547,303
	Legal and professional	26.2	7,516,215	51,120,844
	Postage, telephone and telegrams		3,319,577	2,622,630
	Repairs and maintenance		14,264,449	13,009,187
	Rent, rates and taxes		1,761,274	2,566,591
	Electricity, water and gas		4,565,742	3,520,670
	Entertainment		2,548,776	2,240,608
	Auditors' remuneration	26.3	1,100,000	1,100,000
	Depreciation	13.2	2,669,026	1,594,155
	Amortization	14.2	440,206	554,421
	Advertisement		1,424,965	589,976
	Miscellaneous		1,126,076	5,628,780
			113,724,870	146,150,841

26.1 Salaries, wages and other benefits include Rs. 1.57 million (2014: Rs. 1.30 million) and Rs. 0.72 million (2014: Rs. 0.36 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 (2014: Rs. 0.08 million).

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For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
26.3	**Auditors' remuneration**			
	Statutory audit		1,000,000	1,000,000
	Half year review		100,000	100,000
			1,100,000	1,100,000

		Note	2015 Rupees	2014 Rupees
27	**Other income**			
	Income from financial assets			
	Interest on bank deposits		135,252,834	94,579,055
	Interest on SNGPL loan		193,924	263,306
	Dividend received from investment in mutual funds		69,733	–
	Gain on sale of investment in Gharibwal Cement Limited	20.1	23,218,450	5,074,088
	Gain on sale of investment in Money Market Mutual Funds	27.1	296,053,289	149,755,099
			454,788,230	249,671,548
	Income from non-financial assets			
	Income from sale of scrap		2,453,805	7,642,419
	Gain on disposal of property, plant and equipment	13.3	881,478	7,026,535
	Insurance claim		–	332,140
	Exchange fluctuation gain		3,339,128	–
	Miscellaneous		572,713	582,456
			7,247,124	15,583,550
			462,035,354	265,255,098

27.1 This includes gain on sale of investments purchased and sold during the year ended 30 June 2015 classified as fair value through profit and loss account.

		Note	2015 Rupees	2014 Rupees
28	**Other charges**			
	Workers' Profit Participation Fund	9.2	248,379,163	234,751,678
	Worker's Welfare Fund	9.3	79,586,229	72,456,179
	Exchange fluctuation loss		–	3,040,168
	Donations	28.1	9,921,000	1,659,431
			337,886,392	311,907,456

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, Kohat.

		Note	2015 Rupees	2014 Rupees
29	**Finance cost**			
	Interest / mark-up on:			
	Short term borrowings- secured		33,952,897	47,420,191
	Long term finances-secured		82,255,632	80,492,517
	Workers' Profit Participation Fund	9.2	2,177,315	11,226,598
			118,385,844	139,139,306
	Less: Borrowing cost capitalized		(73,115,865)	(8,143,303)
			45,269,979	130,996,003
	Default surcharge on FED, Income tax and Sales tax liability		34,942,130	2,692,952
	Bank charges, commission and others		13,529,805	20,986,861
			93,741,914	154,675,816

Notes to the Financial Statements

For the year ended 30 June 2015

		2015 Rupees	2014 Rupees
30	**Taxation**		
	Current		
	- for the year	1,464,128,374	1,200,177,757
	- prior	–	(7,112,147)
		1,464,128,374	1,193,065,610
	Deferred - for the year	(148,956,022)	28,706,986
		1,315,172,352	1,221,772,596
30.1	**Relationship between tax expense and accounting profit**		
	Profit before taxation	4,637,440,553	4,376,599,109
	Tax calculated at the rate of 33.00% / 34.00%	1,530,355,382	1,488,043,697
	Tax effect of:		
	- income under Final Tax Regime	(234,421,277)	(274,144,665)
	- super tax	127,886,393	–
	- effect of permanent differences	65,853,037	4,831,242
	- change in proportion of local and export sales	14,330,921	32,182,150
	- tax rate adjustment	(183,444,314)	–
	- prior year adjustments	–	(7,112,148)
	- tax credits	–	(24,474,936)
	- others	(5,387,790)	2,447,256
		1,315,172,352	1,221,772,596

30.2 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

During the year, the Company has paid interim dividend of 50% of its paid up capital. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2015.

		Unit	2015	2014 (Restated)
31	**Earnings per share - basic and diluted**			
31.1	**Basic and diluted earnings per share**			
	Earnings for the year after taxation	Rupees	3,322,268,201	3,154,826,513
	Weighted average number of ordinary shares in issue during the year	Numbers	154,508,690	154,508,690
	Earnings per share	Rupees	21.50	20.42

31.2 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 2015 and 30 June 2014.

Notes to the Financial Statements

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
32 Cash generated from operations			
Profit before taxation		4,637,440,553	4,376,599,109
Adjustments for non-cash items:			
Depreciation		391,033,249	371,492,507
Amortization		440,206	554,421
Gain on disposal of property, plant and equipment		(881,478)	(7,026,535)
Gain on sale of investments		(319,271,739)	(154,829,187)
Provision for compensated absences		3,882,669	2,174,574
Interest on bank deposits and advances		(135,446,758)	(94,842,361)
Provision for Workers' Welfare Fund		79,586,229	72,456,179
Provision for Workers' Profit Participation Fund		248,379,163	234,751,678
Finance cost		93,741,914	154,675,816
		361,463,455	579,407,092
Operating profit before working capital changes		4,998,904,008	4,956,006,201
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(21,370,476)	(30,957,307)
Stock in trade		114,363,727	267,824,409
Trade debts		(138,455,857)	(69,556,895)
Advances, deposits, prepayments and other receivables		(165,299,175)	(9,370,709)
		(210,761,781)	157,939,498
Increase / (decrease) in current liabilities:			
Trade and other payables		(63,342,770)	430,345,579
Cash generated from operations		4,724,799,457	5,544,291,278
33 Cash and cash equivalents			
Term deposit receipts	20	3,300,000,000	–
Cash and bank balances	22	2,924,445,881	1,855,340,409
		6,224,445,881	1,855,340,409

34 Transactions with related parties

The related parties comprise holding company, associated companies, Directors of the Company, key management staff and staff retirement funds. Transactions and balances with related parties are as follows:

Parties	Nature of transactions	Note	2015 Rupees	2014 Rupees
Contribution to Provident Fund Trust	Contribution		7,147,741	5,916,004
Contribution to Kohat Cement Educational Trust	Contribution	28.1	826,400	754,762
Palace Enterprises (Private) Limited	Accomodation Services		177,618	228,162
Art Vision (Pvt) Ltd. (Asian Hotels and Resorts (Pvt.) Ltd.)	Sale of Cement		292,248	–

Notes to the Financial Statements

For the year ended 30 June 2015

Parties	Nature of transactions	Note	2015 Rupees	2014 Rupees
ANS Capital (Private) Limited.	Dividend paid		594,904,800	354,110,000
Worker's Profit Participation Fund	Contribution	28	248,379,163	234,751,678
Remuneration of Key Management Personnel	Remuneration	35	95,496,753	70,850,083
Directors	Dividend paid		184,227,523	109,351,190

35 Remuneration of Chief Executive, Directors and Executives

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

	2015			
		Director		
	Chief Executive	Non-Executive	Executive	Executives
	Rupees			
Short term employee benefits				
Managerial remuneration	15,213,879	–	15,180,000	51,970,951
Bonus	2,695,000	–	2,695,000	5,215,102
Medical expenses reimbursed	–	–	–	–
	17,908,879	–	17,875,000	57,186,053
Post employment benefits				
Contribution to provident fund	530,085	–	530,085	1,466,651
	18,438,964	–	18,405,085	58,652,704
Number of persons	1	5	1	18

	2014			
		Director		
	Chief Executive	Non-Executive	Executive	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

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

Notes to the Financial Statements

For the year ended 30 June 2015

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.

Risk management framework

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

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 the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

36.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

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:

	2015 Rupees	2014 Rupees
Available for sale financial assets		
Short term investments	54,540,000	3,197,171,078
Loans and receivables		
Long term loans and advances	5,189,757	10,260,442
Long term deposits	41,266,640	41,266,640
Trade debts - unsecured, considered good	220,618,994	82,163,137
Short term investments	3,300,000,000	–
Advances, deposits, and other receivables	229,789,078	239,853,499
Cash at banks	2,923,967,637	1,855,130,989
	6,720,832,106	2,228,674,707
	6,775,372,106	5,425,845,785

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:

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For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
Customers	220,618,994	82,163,137
Banking companies	6,223,967,637	1,855,130,989
Mutual Funds	–	3,122,913,518
Others	330,785,475	365,638,141
	6,775,372,106	5,425,845,785

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 bank balances and short term investments. 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:

	Rating			2015	2014
	Short term	Long term	Rating agency	Rupees	Rupees
Bank					
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	5,918	25,000,000
Allied Bank Limited	A1+	AA+	PACRA	656,786,592	522,619,075
Askari Bank Limited	A-1+	AA	JCR-VIS	925,648	264,106,243
Bank Alfalah Limited	A1+	AA	PACRA	810,265	19,251,776
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	29,665	29,665
Habib Bank Limited	A-1+	AAA	JCR-VIS	530,245,538	17,880,212
KASB Bank Limited	A3	BBB	PACRA	–	425,978
MCB Bank Limited	A1+	AAA	PACRA	812,563,895	150,064,917
National Bank of Pakistan	A1+	AAA	PACRA	18,656,265	268,356
NIB Bank Limited	A1+	AA-	PACRA	1,079	526,413
Soneri Bank Limited	A1+	AA-	PACRA	–	1,778,153
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	26,898,725	95,071,188
The Bank of Punjab	A1+	AA-	PACRA	262,120,094	582,554,401
The Bank of Khyber	A1	A	PACRA	15,787,774	78,867,466
United Bank Limited	A-1+	AA+	JCR-VIS	99,135,129	96,687,146
Meezan Bank Limited	A-1+	AA	JCR-VIS	500,000,100	–
SAMBA Bank Limited	A-1	AA	JCR-VIS	950	–
				2,923,967,637	1,855,130,989
Term Deposit Receipts					
Allied Bank Limited	A1+	AA+	PACRA	1,050,000,000	–
Askari Bank Limited	A-1+	AA	JCR-VIS	500,000,000	–
Bank Alfalah Limited	A1+	AA	PACRA	500,000,000	–
The Bank of Punjab	A1+	AA-	PACRA	250,000,000	–
United Bank Limited	A-1+	AA+	JCR-VIS	1,000,000,000	–
				3,300,000,000	–

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For the year ended 30 June 2015

	Rating	Agency	2015 Rupees	2014 Rupees
Mutual funds				
ABL Cash Fund	AA(f)	JCR-VIS	–	556,957,009
Askari Sovereign Cash Funds	AAA(f)	PACRA	–	124,553,746
Faysal Money Market Fund	AA(f)	JCR-VIS	–	172,967,986
MCB Cash Management Optimizer	AA(f)	PACRA	–	532,840,657
NAFA Money Market Fund	AA(f)	PACRA	–	429,731,095
PICIC Cash Fund	AA(f)	JCR-VIS	–	126,017,940
UBL Liquidity Plus Fund	AA(f)	JCR-VIS	–	500,221,403
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

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	
	2015 Rupees	2014 Rupees
Past due 0 - 1 Months	68,651,513	–
Past due 1 - 6 Months	139,993,601	16,354,871
Past due 6 - 12 Months	8,820,857	55,574,220
Past due above one year	3,153,023	10,234,046
	220,618,994	82,163,137

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 (2014: nil).

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.

Notes to the Financial Statements

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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.

		2015				
	Note	Carrying amount	Contractual cash flows	Less than six months	Six to twelve months	One to five years
		Rupees				
Non-derivative financial liabilities						
Long term finances	6	1,425,447,368	1,425,447,368	288,605,264	142,105,264	994,736,840
Long term deposits	7	2,036,100	2,036,100	–	–	2,036,100
Trade and other payables	9	928,685,279	928,685,279	928,685,279	–	–
Short term borrowings	10	598,000,000	598,000,000	598,000,000	–	–
Interest / mark-up accrued on borrowings	11	438,388,476	438,388,476	206,504,129	231,884,347	–
		3,392,557,223	3,392,557,223	2,021,794,672	373,989,611	996,772,940

		2014				
	Note	Carrying amount	Contractual cash flows	Less than six months	Six to twelve months	One to five years
		Rupees				
Non-derivative financial liabilities						
Long term finances	6	380,300,000	380,300,000	112,900,000	120,900,000	146,500,000
Long term security deposits	7	2,061,100	2,061,100	–	–	2,061,100
Trade and other payables	9	1,068,855,353	1,068,855,353	1,068,855,353	–	–
Short term borrowings	10	498,000,000	498,000,000	498,000,000	–	–
Interest / mark-up accrued on borrowings	11	827,904,695	827,904,695	195,240,627	203,739,862	428,924,206
		2,777,121,148	2,777,121,148	1,874,995,980	324,639,862	577,485,306

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.

Notes to the Financial Statements

For the year ended 30 June 2015

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:

	2015		
	EURO	USD	RUPEES
Assets			
Advances, deposits, and other receivables	–	1,638,523	166,310,043
Cash at bank	–	–	–
	–	1,638,523	166,310,043
Liabilities			
Trade creditors	–	(1,875,000)	(190,687,500)
Long term retention money payable to Sinoma	(353,300)	(1,240,000)	(166,310,043)
Outstanding letters of credit	(697,583)	(645,371)	(145,012,274)
Net balance sheet exposure	(1,050,883)	(2,121,848)	(335,699,774)

	2014		
	EURO	USD	RUPEES
Assets			
Advances, deposits, and other receivables	–	1,725,521	170,050,109
Cash at bank	–	724,863	71,435,238
	–	2,450,384	241,485,347
Liabilities			
Trade creditors	–	(14,922)	(1,473,566)
Long term retention money payable to Sinoma	(353,300)	(1,240,000)	(170,050,109)
Outstanding letters of credit	(766,340)	(11,606,617)	(1,249,402,436)
Net balance sheet exposure	(1,119,640)	(10,411,155)	(1,179,440,764)

36.3.1(b) Exchange rates applied during the year

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

	EURO		USD	
	2015	2014	2015	2014
	Rupees			
Reporting date spot rate				
- buying	113.57	134.46	101.50	98.55
- selling	113.79	134.73	101.70	98.75
Average rate for the year	122.92	140.70	102.18	103.69

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 2015

	Profit 2015 Rupees	Profit 2014 Rupees
EURO	(1,195,800)	(1,508,491)
USD	(2,161,196)	(10,285,917)
	(3,356,996)	(11,794,408)

36.3.1(d) Currency risk management

Since the maximum amount exposed to currency risk is only 1.97% (2014: 8.33%) 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:

	2015		2014	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees			
Non-derivative financial instruments				
Fixed rate instruments	3,310,370,797	–	15,516,414	–
Variable rate instruments	–	2,023,447,368	–	878,300,000

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 2015 Rupees	Profit 2014 Rupees
Increase of 100 basis points	(20,234,474)	(8,783,000)
Decrease of 100 basis points	20,234,474	8,783,000

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 Company's borrowings are based on 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 2015

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:

	2015 Rupees	2014 Rupees
Investment in equity securities	9,017,839	18,628,377
Investment in money market mutual funds	–	3,102,100,000
	9,017,839	3,120,728,377

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	
	2015 Rupees	2014 Rupees
Available for sale financial assets		
Effect of increase	2,727,000	156,036,419
Effect of decrease	(2,727,000)	(156,036,419)

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 2015

	Note	Level 1	Level 2 Rupees	Level 3
Short term investments				
Gharibwal Cement Limited	20.1	54,540,000	–	–
2015		54,540,000	–	–
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	–	–

36.4.3 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.

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 certain covenant requirements as explained in note 6.

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% (2014: 100.00%) of gross sales of the Company.

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

	2015	2014
Pakistan	89.32%	87.37%
Afghanistan	10.68%	12.63%
	100.00%	100.00%

38.4 All assets of the Company as at 30 June 2015 are located in Pakistan.

Notes to the Financial Statements

For the year ended 30 June 2015

	Plant capacity		Actual production	
	2015	2014	2015	2014
	Metric tons		Metric tons	
39 Capacity and production				
Clinker:				
Grey	2,550,000	2,550,000	1,612,009	1,603,616
White	135,000	135,000	35,704	22,132
Cement:				
Grey	2,805,000	2,805,000	1,800,014	1,873,170
White	148,500	148,500	39,435	30,259

Lower capacity utilization of cement plant is due to gap between demand and supply of cement. 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	2015	2014
Size of fund - total assets	Rupees	89,581,399	71,215,809
Cost of investments made	Rupees	84,571,461	65,035,869
Percentage of investments made	Percentage	94.41%	91.32%
Fair value of investment	Rupees	86,837,758	65,462,478

The breakup of fair value of investments is as follows:

	2015		2014	
	Rupees	Precentage	Rupees	Precentage
Fixed deposits	39,628,023	45.63%	54,664,621	83.51%
Mutual funds	42,999,478	49.52%	10,507,617	16.05%
Cash at bank	4,210,257	4.85%	290,240	0.44%
	86,837,758	100.00%	65,462,478	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 2015 and 2014 respectively are as follows:

	2015	2014
	Number of employees	
Average number of employees during the year	415	400
Total number of employees as at 30 June	434	396

Notes to the Financial Statements

For the year ended 30 June 2015

42 Post balance sheet events

The Board of Directors in their meeting held on 14 September 2015 has proposed a 40 % (2014: 20%) final cash dividend of Rs. 4 (2014: Rs. 2) per ordinary share for approval of members at annual general meeting to be held on October 15, 2015. These financial statements do not reflect this appropriation as explained in note 3.19.

43 Date of authorization for issue

These financial statements were authorized for issue on September 14, 2015 by the Board of Directors of the Company.

44 General

Figures have been rounded off to the nearest rupee.

Statement U/S 241 (2) of the Companies Ordinance, 1984;

These financial statements have been signed by two Directors instead of Chief Executive Officer and one Director, as the Chief Executive Officer is for the time being not in Pakistan.

Director **Director**

Pattern of Shareholding
As at 30 June 2015

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held	Percentage of Total Capital
356	1	-	100	15,770	0.01
556	101	-	500	174,847	0.11
280	501	-	1000	218,018	0.14
677	1001	-	5000	1,281,619	0.83
98	5001	-	10000	739,204	0.48
40	10001	-	15000	503,456	0.33
23	15001	-	20000	408,411	0.26
17	20001	-	25000	400,756	0.26
8	25001	-	30000	217,424	0.14
4	30001	-	35000	131,052	0.08
10	35001	-	40000	377,758	0.24
4	40001	-	45000	175,000	0.11
6	45001	-	50000	292,580	0.19
3	50001	-	55000	156,974	0.10
6	55001	-	60000	350,134	0.23
3	60001	-	65000	189,100	0.12
1	65001	-	70000	67,740	0.04
5	70001	-	75000	360,286	0.23
2	75001	-	80000	156,750	0.10
3	80001	-	85000	244,400	0.16
1	90001	-	95000	90,900	0.06
6	95001	-	100000	590,378	0.38
3	100001	-	105000	308,600	0.20
2	105001	-	110000	215,742	0.14
1	115001	-	120000	116,958	0.08
2	120001	-	125000	247,000	0.16
1	130001	-	135000	135,000	0.09
5	145001	-	150000	748,200	0.48
1	160001	-	165000	163,200	0.11
1	170001	-	175000	173,000	0.11
1	185001	-	190000	187,200	0.12
2	200001	-	205000	402,300	0.26
1	210001	-	215000	213,606	0.14
2	220001	-	225000	445,179	0.29
2	225001	-	230000	451,600	0.29
3	235001	-	240000	711,354	0.46
1	245001	-	250000	250,000	0.16
1	270001	-	275000	275,000	0.18
1	285001	-	290000	290,000	0.19
1	305001	-	310000	305,800	0.20
2	340001	-	345000	682,220	0.44
1	350001	-	355000	351,400	0.23
1	385001	-	390000	385,846	0.25
1	410001	-	415000	411,000	0.27
1	450001	-	455000	451,628	0.29
1	555001	-	560000	555,528	0.36
1	655001	-	660000	656,000	0.42
1	690001	-	695000	691,995	0.45
1	800001	-	805000	801,700	0.52
1	985001	-	990000	986,200	0.64
1	1000001	-	1005000	1,001,424	0.65
1	1060001	-	1065000	1,061,472	0.69
1	1510001	-	1515000	1,513,224	0.98
1	1770001	-	1775000	1,770,300	1.15
1	2035001	-	2040000	2,036,400	1.32
1	2870001	-	2875000	2,872,900	1.86
1	3810001	-	3815000	3,811,400	2.47
1	4585001	-	4590000	4,588,840	2.97
1	6235001	-	6240000	6,240,000	4.04
1	25870001	-	25875000	25,870,517	16.74
1	84985001	-	84990000	84,986,400	55.00
2,162				**154,508,690**	**100.00**

Categories of Shareholding

As at 30 June 2015

	Categories of Shareholders	Shares Held	Percentage
I	**Director, Chief Executive Officer, their Spouse and Minor Children**	**26,175,889**	**16.94%**
	Directors		
	Mr.Aizaz Mansoor Sheikh	56,606	0.04%
	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	236,277	0.15%
	Director's Spouse		
	Mrs.Shahnaz Aizaz Sheikh	600	0.00%
	Mr. Sardar Shahbaz Ali Khan Khosa	8,500	0.01%
II	**Associated Companies, Undertakings & Related Parties**	**85,103,358**	**55.08%**
	ANS Capital (Pvt) Limited	84,986,400	55.00%
	Kohat Cement Educational 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**	**11,475,739**	**7.43%**
V	**Insurance Companies**	**1,839,700**	**1.19%**
VI	**Modarbas**	**NIL**	**0.00%**
VII	**Mutual Funds**	**9,173,128**	**5.94%**
	NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	13,000	0.01%
	NAFA ISLAMIC STOCK FUND	58,300	0.04%
	AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	221,700	0.14%
	UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	201,100	0.13%
	KSE MEEZAN INDEX FUND	67,740	0.04%
	FIRST CAPITAL MUTUAL FUND	20,100	0.01%
	AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	123,100	0.08%
	NIT-EQUITY MARKET OPPORTUNITY FUND	96,000	0.06%
	LAKSON EQUITY FUND	656,000	0.42%
	CROSBY DRAGON FUND	25,000	0.02%
	JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	28,300	0.02%
	ALFALAH GHP STOCK FUND	201,200	0.13%
	ALFALAH GHP ALPHA FUND	123,900	0.08%
	NAFA ISLAMIC ASSET ALLOCATION FUND	82,000	0.05%
	APIF - EQUITY SUB FUND	20,000	0.01%
	KASB ASSET ALLOCATION FUND	24,800	0.02%
	NAFA STOCK FUND	37,600	0.02%
	MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	150,000	0.10%
	ALFALAH GHP ISLAMIC STOCK FUND	90,900	0.06%
	UBL STOCK ADVANTAGE FUND	801,700	0.52%
	ATLAS ISLAMIC STOCK FUND	100,000	0.06%
	AL-AMEEN SHARIAH STOCK FUND	2,036,400	1.32%
	AKD INDEX TRACKER FUND	10,000	0.01%
	AL MEEZAN MUTUAL FUND	341,000	0.22%
	MEEZAN ISLAMIC FUND	2,872,900	1.86%
	MEEZAN BALANCED FUND	225,200	0.15%
	JS ISLAMIC FUND	150,000	0.10%
	JS AGGRESSIVE ASSET ALLOCATION FUND	45,000	0.03%

Categories of Shareholding
As at 30 June 2015

	Categories of Shareholders	Shares Held	Percentage
	JS LARGE CAP. FUND	250,000	0.16%
	PAKISTAN STRATEGIC ALLOCATION FUND	188	0.00%
	ATLAS STOCK MARKET FUND	100,000	0.06%
VIII	**Shareholder holding 5% and more (other than above)**	**NIL**	**0.00%**
IX	**General Public**	**18,630,757**	**12.06%**
	a) Local	18,608,957	12.04%
	b) Foreign	21,800	0.01%
X	**Others**	**2,007,039**	**1.30%**
	Joint Stock Companies	1,358,183	0.88%
	Gratuity/Pension/Provident Funds	277,829	0.18%
	Charitable Trusts	125,750	0.08%
	Executives	245,277	0.16%

Financial Calendar

The Company follows the period of July 01 to June 30 as the financial year.

Financial results will be announced as per the following tentative schedule:

Annual General Meeting	October 15, 2015
First Quarter ending September 30, 2015	Last week of October 2015
Second Quarter ending December 31, 2015	Third week of February 2016
Third Quarter ending March 31, 2016	Last week of April 2016
Year ending June 30, 2016	Second week of September 2016

Form of Proxy

36th Annual General Meeting 2015

I/We____

of ____ being a member of

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

Share Register Folio No. __________________________ and/or CDC Participant I.D. No. _____________________ and

Sub Account No. ___________________ hereby appoint ____

of ____ another member of the company (or failing

him ____of_________________________________)

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 15 October 2015 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______________2015.

Signature:

Please affix
Rupees five
revenue stamp

Witnesses:

1. Signature: ___________________
   Name: ___________________
   Address: ___________________
   ____
   CNIC or
   Passport No. ___________________

2. Signature: ___________________
   Name ___________________
   Address: ___________________
   ____
   CNIC or
   Passport No. ___________________

Note:

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

AFFIX
CORRECT
POSTAGE

The Company Secretary,

Kohat Cement Company Limited
37-P, Gulberg II, Lahore.
Tel: 042 11 111 5225
Fax: 042 3 587 4990

THE STRENGTH

KOHAT CEMENT

/ HEAD OFFICE /

37-P, GULBERG II, LAHORE, PAKISTAN
TEL: +92 -42-11-111-KCCL (5225)
FAX: +92-423-5754084, 5874990