ANNUAL REPORT 2006

KOHAT CEMENT
COMPANY LIMITED

VISION

Widen the spectrum of cement usage in Pakistan.

MISSION

Excel and grow through continuous improvement.

Provide good returns and security to the shareholders.

Fulfill obligations towards employees and society.

بسم اللہ الرحمٰن الرحیم

CONTENTS

COMPANY INFORMATION

Board of Directors

Mrs. Khawar Sultana
Chairperson

Mr. Aizaz Mansoor Sheikh
Chief Executive

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

Audit Committee

Mr. Tariq Atta Sheikh
Chairman
Mr. Aizaz Mansoor Sheikh
Mrs. Ghazala Amjad

Company Secretary

Mr. Mohammad Hashim Khan

Legal Advisor

Qazi Waheed -ud-Din

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Deptt.

AZM Computer Services (Pvt.) Limited
24-Ferozepur Road,
Mozang Chungi, Lahore.
Tel: (042) 7552269
Fax: (042) 7576129

Registered Office and Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.
Tel: (0922) 560401-3
Fax: (0922) 560405
Telex: 52431 KCCL PK.
E-mail: finance@kohatcement.com

Head Office

64-E-1/D, Gulberg-III, Lahore.
Tel: (042) 5754358, 5758649
Fax: (042) 5754084
E-mail: mis@kohatcement.com

Rating Agency: PACRA

Company Rating: A (Long-term)
A1 (Short-term)

Bankers of the Company

Union Bank Limited
The Bank of Khyber
National Bank of Pakistan
PICIC Commercial Bank Limited
Bank Alfalah Limited
Bank of Punjab
Allied Bank Limited
Askari Commercial Bank Limited
KASB Bank Limited
Saudi Pak Commercial Bank Limited
Bank Al-Habib Limited
Soneri Bank Limited
First Women Bank Limited
Prime Commercial Bank Limited
MCB Bank Limited
Crescent Commercial Bank Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 27th Annual General Meeting of the shareholders of **Kohat Cement Company Limited** for the financial year ended 30th June 2006 will be held on Tuesday, October 31, 2006, at its registered office Kohat Cement Factory, Rawalpindi Road, Kohat at 11:00 A.M., to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on October 26, 2005.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2006 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the year 2006-2007 and to fix their remuneration. The present Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To approve issue of Bonus Shares @ 10% i.e. 1 (one) Ordinary Share for every 10 (ten) Ordinary Shares held as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution:

   "RESOLVED that:

   a) A sum of Rs. 92,531,250 out of the Free Reserves of the Company be capitalized and applied to the issue of 9,253,125 ordinary shares of Rs. 10 each and allotted as fully paid bonus shares to the members of the Company whose names appear on the register of the members of the Company as at the close of business on October 23, 2006 in the proportion of one such new share for every ten existing ordinary shares held and that such new shares shall rank pari passu with the existing ordinary shares of the Company.

   b) Members entitled to fractions of a share shall be given sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold in the stock market.

   c) For the purpose of giving effect to the foregoing, the Directors be and are hereby authorized to give such directions as may be necessary and as they deem fit to settle any question or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractions."

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

(By Order of the Board)

(MOHAMMAD HASHIM KHAN)
COMPANY SECRETARY

Kohat: September 30, 2006

Notes:

1. The register of members and the share transfer books of the Company will be closed from Tuesday, October 24, 2006 to Tuesday, October 31, 2006 (both days inclusive). Transfers received in order at the share department of the Company AZM Computer Services (Pvt.) Limited, 24-Ferozepur Road, Mozang Chungi, Lahore, upto the close of business on Monday, October 23, 2006 will be treated in time for entitlement of bonus shares and to attend Annual General Meeting.

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

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

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

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

STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

Item No. 5 To Issue Bonus Shares

Keeping in view the Company's financial position and ongoing expansion project the Board of Directors has recommended to increase the paid up capital by issue of 9,253,125 ordinary shares as fully paid bonus shares by capitalization of free reserves upto Rs. 92,531,250. None of the directors are interested in this business except to the extent of their entitlement to bonus shares as ordinary members of the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors take pleasure in presenting the Annual Report and audited Financial Statements of the Company for the year ended June 30, 2006.

Financial results - The net sales revenue for the year under review is Rs. 2,327.2 million (2005: Rs. 1,715.4 million) reflecting a growth of 35.67% over last year. The Company has earned a pre-tax profit of Rs. 1,039.4 million (2005: Rs. 560.9 million) after accounting for all charges inclusive of depreciation of Rs. 91.8 million (2005: Rs. 64.2 million). The profitability of the Company has increased considerably in the current year due to better retention prices and enhanced plant capacity utilization. The financial results for the year under review are as under:

	Rupees in Thousand	
	2006	2005
Profit before taxation	1,039,424	560,949
Taxation:		
Current - for the year	192,571	176,322
Current - for the prior year	2,958	-
Deferred - for the year	54,028	(1,874)
	249,557	174,448
Profit after taxation	789,867	**386,501**
APPROPRIATIONS:		
- Bonus shares issue 10% (2005: 50%)	92,531	246,750
Earnings per share Rupees	9.06	**4.50**

As the Company needs funds for its expansion project therefore, the Directors do not feel prudent to declare any cash dividend, however the Directors have proposed to issue bonus shares @ 10% in proportion of 1 (one) share for every 10 (ten) shares held.

Market review - Cement sales in the country for the year 2005-06 were 16.91 million tons showing a 14.33% growth over the previous year, while export sales remained constant at 1.51 million tons.

The cement industry is under expansion as demand continues to surge as a result of positive developments in construction sector. Exports to Afghanistan have also helped to improve capacity utilization of the cement industry.

Due to increase in local demand and strong export market, the Company is expecting a capacity utilization of 100% for the year 2007.

Plant Performance - Grey Cement Capacity utilization (clinker) for the year has been 102.65% as compared to 98.36% during the preceding year. The Company has dispatched 556,730 tons (includes in house consumption of 11,799 tons) of grey cement as compared to 560,256 tons of grey cement during the preceding year.

Plant Performance - White Cement - The new white cement line of 450 TPD clinker capacity has started commercial production w.e.f. December 01, 2005. During the year (7-months) the Company has sold 14,171 tons of white cement. Under utilization of white cement plant capacity is due to the low market demand.

Export During the year under review, the company exported 161,262 tons of grey cement and 1,668 tons of white cement.

Debt Obligations and Credit Rating: The Company is current with its debt obligations. The Pakistan Credit Rating Agency (PACRA) has upgraded the long term and short term rating of the Company to A (Single A) and A1 (A One), respectively. The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Significant plans and decisions:

The Construction of the new grey cement line of 6,700 TPD clinker capacity within the present premises at Kohat is progressing according to schedule. The civil works is at full swing and machinery has started arriving at site. **Inshallah**, the new grey cement line will commence production in July, 2007. In order to finance the expansion project cost 25% right shares were issued by the Company which ware fully subscribed.

Future prospects In the light of present healthy macro-economic factors and development in the housing sector and government's ambitious plans to develop and construct water reservoirs and dams, the management foresees sustained growth of cement sector.

Compliance with code of corporate governance

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

- **Presentation of financial statements** - 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.
- **Books of account** - The Company has maintained proper books of account.
- **Accounting policies** - Appropriate accounting policies have been consistently applied, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- **Compliance with International Accounting Standards (IAS)** - International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

- **Internal control system** - 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.

- **Going concern** - There are no significant doubts upon the Company's ability to continue as a going concern.

- **Best Practices of Corporate Governance** - 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, 2006.

- **Financial highlights** - Key operating & financial data of last eight years is annexed (Annexure A).

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

Statement on value of staff retirement funds - The value of investments as at June 30, 2006 in respect of retirement funds is as under:

- Provident fund	Rs. 117.649 million	Un-audited
- Gratuity fund	Rs. 32.331 million	Un-audited

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

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

Name of director	No. of meetings attended
Mr. Atta Mohammad Sheikh (died on 26 December 2005)	2
Mrs. Khawar Sultana (appointed on 5 January 2006)	3
Mr. Aizaz Mansoor Sheikh	5
Mr. Nadeem Atta Sheikh	5
Mr. Tariq Atta Sheikh	5
Mrs. Ghazala Amjad	4
Mr. Omer Aizaz Sheikh	5
Mrs. Hafsa Nadeem	5

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

Trading in Company's shares Shares traded by Directors, CEO and their spouses and minor children are given as under:

			Right Shares Purchased	Shares Sold
i)	Mrs. Khawar Sultana	Chairperson/Director	167,697	425,000
ii)	Mr. Aizaz Mansoor Sheikh	CEO / Director	3,926,229	1,074,000
iii)	Mr. Tariq Atta Sheikh	Director	2,105,945	854,500
iv)	Mr. Nadeem Atta Sheikh	Director	4,088,425	1,624,500
v)	Mr. Omer Aizaz Sheikh	Director	275,843	400,000
vi)	Mrs. Ghazala Amjad	Director	1,091,459	100,000
vii)	Mr. Hafsa Nadeem	Director	292,528	100,000
viii)	Mrs. Hijab Tariq Sheikh	Director's Spouse	220,612	70,000
ix)	Mr. Sheikh Amjad Latif	Director's Spouse	1,064,784	600,000

Pattern of shareholding - The Pattern of Shareholding (Annexure - B) and additional information as required by the Code of Corporate Governance (Annexure B1) are annexed with the 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.

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

For and on behalf of the Board

AIZAZ MANSOOR SHEIKH
Chief Executive

Lahore : 30 September 2006

Annexure "A"

KEY FINANCIAL DATA FOR LAST 8 YEARS

	2006	2005	2004	2003	2002	2001	2000	1999
Trading Results								
Quantitative data (000 M.Tonnes)								
Capacity:								
Clinker:								
- Grey	540	540	540	540	540	540	540	540
- White	135	-	-	-	-	-	-	-
Cement:								
- Grey	567	567	567	567	567	567	567	567
- White	142	-	-	-	-	-	-	-
Production:								
Clinker:								
- Grey	554	531	498	389	371	291	347	329
- White	16	-	-	-	-	-	-	-
Cement:								
- Grey	555	562	531	433	357	326	374	339
- White	15	-	-	-	-	-	-	-
Dispatches - cement:								
- Grey	557	560	535	437	361	332	374	339
- White	14	-	-	-	-	-	-	-
Financial data (Rs. 000):								
Turnover	2,327,238	1,715,427	1,397,871	949,200	964,831	835,607	1,021,861	732,825
Gross profit	1,199,662	664,223	495,537	89,145	274,650	141,820	332,045	141,940
Operating profit	1,145,849	615,203	450,927	19,894	234,792	94,644	303,935	115,475
Profit before tax & interest	1,093,522	584,161	419,649	38,098	217,698	86,962	290,440	114,092
Profit before tax	1,039,424	560,949	395,274	23,970	210,647	74,566	249,179	58,281
Profit after tax	789,867	386,501	292,657	16,569	108,420	55,205	150,567	22,617
Balance Sheet (Rs. 000)								
Shareholders equity	2,283,940	1,081,732	696,231	501,274	517,624	485,971	474,632	384,382
Property, plant & equipment	2,079,393	1,119,880	905,470	839,898	592,317	608,743	661,898	714,766
Net current assets/(liabilities)	603,588	164,551	67,535	(36,036)	52,861	(8,162)	(56,450)	(170,418)
Long term liabilities	245,309	119,242	191,176	192,933	2,439	6,362	17,864	139,594
Deferred liabilities	161,268	104,240	105,590	133,777	144,540	111,828	116,595	44,125
Ratio Analysis								
Gross profit ratio %	51.55	38.72	35.45	9.39	28.47	16.97	32.49	19.37
Profit before tax ratio %	44.66	32.70	28.28	2.53	21.83	8.92	24.38	7.95
Profit after tax ratio %	33.94	22.53	20.94	1.74	11.24	6.61	14.73	3.09
Fixed assets turnover ratio %	269.01	295.25	231.81	145.58	154.73	137.78	154.87	102.53
Return on capital employed %	40.64	44.76	42.30	4.60	32.76	14.39	47.68	20.08
Debt : equity ratio	10 : 90	10 : 90	22 : 78	28 : 72	0 : 100	1 : 99	4 : 96	27 : 73
Current ratio	2.57	1.47	1.16	0.89	1.15	0.96	0.79	0.57
Interest coverage ratio	20.21	25.17	17.22	2.70	30.87	7.02	7.04	2.04
Break Up Value Per Share of Rs. 10 Each (Rs.)	24.68	21.92	21.13	22.85	23.60	22.16	21.64	17.53
Earning Per Share (Rs.)	9.06	4.50	5.93	0.50	4.94	2.52	6.86	1.03
Dividends								
Cash (Rs. 000)	-	-	98,700	32,900	76,767	43,867	60,317	43,867
%age	-	-	30	15	35	20	27.50	20
Bonus Shares								
%age	10	50	50	50	-	-	-	-

"Annexure - B"

Pattern of Shareholding as at 30 June 2006

No. of Shareholders	Shareholdings		No. of Shares Held
	From	To	
116	1	100	6,943
815	101	500	272,023
935	501	1,000	748,178
713	1,001	5,000	1,792,120
139	5,001	10,000	1,037,367
55	10,001	15,000	699,585
28	15,001	20,000	521,406
29	20,001	25,000	676,905
13	25,001	30,000	355,778
5	30,001	35,000	164,577
4	35,001	40,000	152,268
4	40,001	45,000	173,625
3	45,001	50,000	142,750
2	50,001	55,000	104,937
2	55,001	60,000	116,500
3	60,001	65,000	183,700
5	70,001	75,000	369,712
1	75,001	80,000	75,422
2	80,001	85,000	164,532
3	90,001	95,000	277,875
3	95,001	100,000	295,500
1	100,001	105,000	102,000
1	105,001	110,000	110,000
1	115,001	120,000	117,275
1	120,001	125,000	121,000
1	125,001	130,000	125,812
2	130,001	135,000	261,350
3	135,001	140,000	417,750
7	145,001	150,000	1,048,613
2	160,001	165,000	324,500
1	180,001	185,000	183,000
3	185,001	190,000	561,812
1	200,001	205,000	205,000
1	220,001	225,000	222,000
1	240,001	245,000	244,000
1	245,001	250,000	250,000
1	295,001	300,000	300,000
1	355,001	360,000	358,171
1	495,001	500,000	500,000
1	500,001	505,000	500,343
1	595,001	600,000	600,000
1	680,001	685,000	682,125
1	770,001	775,000	773,437
1	835,001	840,000	838,476
1	840,001	845,000	843,750
1	915,001	920,000	917,500
1	1,030,001	1,035,000	1,033,062
1	1,180,001	1,185,000	1,184,500
1	1,225,001	1,230,000	1,229,218
1	1,360,001	1,365,000	1,362,640
3	1,700,001	1,705,000	5,114,380
1	4,920,001	4,925,000	4,921,421
1	5,155,001	5,160,000	5,155,312
1	5,455,001	5,460,000	5,457,300
1	9,780,001	9,785,000	9,781,227
1	18,855,001	18,860,000	18,857,148
1	19,495,001	20,000,000	19,495,429
2,930			92,531,254

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	62,975,921	68.06%
Associated Companies, undertakings and related parties	24,750	0.03%
NIT and ICP	362,983	0.39%
Banks, Development Financial Institutions, Non banking Financial Institutions	641,625	0.69%
Insurance Companies	113,625	0.12%
Modarabas and Mutual Funds	1,246,675	1.35%
Share holders holding 10%	48,133,804	52.02%
General Public:		
a) Local	20,368,169	22.01%
a) Foreign	-	-
Others (to be specified):		
i) KCCL Cement Educational Trust	70,212	0.08%
ii) Packages Limited Mgt staff pension fund	10,312	0.01%
iii) Joint Stock Companies	879,545	0.95%
iv) KCCL Employees Trust	682,125	0.74%
v) Pakistan Industrial Development Corporation (Pvt) Ltd.	5,155,312	5.57%

Lahore: 30 September 2006

CHIEF EXECUTIVE

"Annexure - B1"

Pattern of Shareholding as at 30 June 2006
Additional Information as Required by the Code of Corporate Governance

	CATEGORIES OF SHARE HOLDERS		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
I	**Associated Companies, Undertakings & Related Parties**		**1**	**24,750**
	i. Tariq Motors (Private) Limited		1	24,750
II	**NIT AND ICP**		**2**	**362,983**
	i. National Bank of Pakistan - Trustee department		1	358,171
	ii. Investment Corporation of Pakistan		1	4,812
III	**Directors, Chief Executive Officer, Their Spouses and Minor Children**		**9**	**62,975,921**
	Directors		**7**	**57,021,438**
	i. Mrs. Khawar Sultana	Chairperson / Director	1	838,476
	ii. Mr. Aizaz Mansoor Sheikh	Chief Executive Officer / Director	1	18,857,148
	iii. Mr. Nadeem Atta Sheikh	Director	1	19,495,429
	iv. Mr. Tariq Atta Sheikh	Director	1	9,781,227
	v. Mrs. Ghazala Amjad	Director	1	5,457,300
	vi. Mr. Omer Aizaz Sheikh	Director	1	1,229,218
	vii. Mrs. Hafsa Nadeem	Director	1	1,362,640
	Directors' spouses		**2**	**5,954,483**
	i. Mrs. Hijab Tariq W/o Mr. Tariq Atta Sheikh		1	1,033,062
	ii. Mr. Capt. Amjad Latif Sheik H/O Ghazala Amjad		1	4,921,421
IV	**Executives**		**Nil**	**Nil**
V	**Public Sector Companies and Corporations**		**1**	**5,155,312**
	i. Pakistan Industrial Development Corporation (Pvt) Limited		1	5,155,312
VI	**Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies, Modarbas and Mutual Funds**		**15**	**2,001,925**
VII	**Shareholders Holding Ten Percent or More Voting Interests**		**3**	**48,133,804**
	i. Mr. Aizaz Mansoor Sheikh		1	18,857,148
	ii. Mr. Nadeem Atta Sheikh		1	19,495,429
	iii. Mr. Tariq Atta Sheikh		1	9,781,227

CHIEF EXECUTIVE

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Kohat Cement Company Limited
Year ended June 30, 2006

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes four non-executive directors.

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

3. To the best of our knowledge all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There was no new appointment of CEO and other executive director during the year.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation courses for its certain directors during the year to apprise them of their duties and responsibilities.

10. The Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. Terms of appointment including remuneration in case of future appointment on these positions will be 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 by 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, of whom two are non-executive directors including the chairman of the committee.

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. The terms of reference of the committee have been formulated and advised to the committee for compliance.

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

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

19. 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.

20. The management of the company is committed to good corporate governance, and appropriate steps are being taken to comply with the best practices.

Lahore: September 30, 2006

AIZAZ MANSOOR SHEIKH
(CHIEF EXECUTIVE)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2006.

KPMG Taseer Hadi & Co.

Lahore: September 30, 2006

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Kohat Cement Company Limited ("the Company")** as at 30 June 2006 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.

Lahore: September 30, 2006

KPMG Taseer Hadi & Co.
Chartered Accountants

BALANCE SHEET

	Note	2006 (Rupees)	2005 (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2005: 100,000,000) ordinary shares of Rs 10 each		1,500,000,000	1,000,000,000
Issued, subscribed and paid up capital	4	925,312,540	493,500,020
Reserves	5	389,397,905	162,120,028
Unappropriated profit		969,229,248	426,112,297
		2,283,939,693	1,081,732,345
NON CURRENT LIABILITIES			
Long term finances - secured	6	237,500,000	81,648,330
Liabilities against assets subject to finance lease	7	2,358,098	35,461,448
Long term security deposits	8	5,451,100	2,132,500
Deferred liabilities	9	161,267,836	104,240,120
		406,577,034	223,482,398
CURRENT LIABILITIES			
Trade and other payables	10	215,249,060	149,394,418
Mark up payable on secured loans		1,973,686	1,655,264
Short term running finances - secured	11	57,397,506	52,582,268
Current portion of long term liabilities:			
Long term finances	6	44,148,330	53,800,000
Liabilities against assets subject to finance lease	7	34,064,784	30,297,282
Provision for taxation		32,760,357	58,943,432
		385,593,723	346,672,684
Contingencies and commitments	12		
		3,076,110,450	1,651,887,427

The attached notes 1 to 39 form an integral part of these accounts.

CHIEF EXECUTIVE

AS AT 30 JUNE 2006

	Note	2006 (Rupees)	2005 (Rupees)
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	13	1,095,105,981	581,007,037
Capital work-in-progress	14	984,287,376	538,873,395
		2,079,393,357	1,119,880,432
Long term loans and advances	15	2,565,634	4,639,073
Long term deposits	16	4,969,240	16,143,890
		2,086,928,231	1,140,663,395
CURRENT ASSETS			
Stores, spares and loose tools	17	117,594,905	86,217,074
Stock in trade	18	87,869,995	22,336,658
Trade debts	19	21,642,079	23,799,056
Advances, deposits, prepayments and other receivables	20	98,589,010	89,805,108
Short term investment	21	6,600,000	-
Cash and bank balances	22	656,886,230	289,066,136
		989,182,219	511,224,032
		3,076,110,450	1,651,887,427

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 (Rupees)	2005 (Rupees)
Sales - net	23	2,327,237,579	1,715,426,515
Cost of goods sold	24	1,127,575,661	1,051,203,519
Gross profit		1,199,661,918	664,222,996
Distribution cost	25	15,533,247	12,509,368
Administrative and general expenses	26	38,279,574	33,326,619
		53,812,821	45,835,987
Operating profit		1,145,849,097	618,387,009
Other operating expenses	27	71,433,971	43,354,848
		1,074,415,126	575,032,161
Other operating income	28	19,106,540	9,129,239
Profit from operations		1,093,521,666	584,161,400
Finance cost	29	54,097,507	23,212,275
Profit before taxation		1,039,424,159	560,949,125
Taxation	30	249,557,198	174,447,785
Profit after taxation		789,866,961	386,501,340
Earnings per share	31	9.06	4.50

Appropriations have been reflected in the statement of changes in equity.

The attached notes 1 to 39 form an integral part of these accounts.

CHIEF EXECUTIVE

Lahore: September 30, 2006

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 (Rupees)	2005 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,039,424,159	560,949,125
Adjustments for:			
Depreciation on property, plant and equipment		91,832,485	64,233,260
Excess depreciation written back		-	(1,296,000)
Profit on sale of property, plant and equipment		(1,411,411)	(604,435)
Book value of property, plant and equipment written off		9,345	33,486
Provision for staff retirement benefits		3,055,321	2,513,851
Provision for compensated absences		473,615	839,249
Profit/mark-up on bank deposit		(14,616,245)	(2,642,107)
Finance cost		54,097,507	23,212,275
		133,440,617	86,289,579
Operating profit before working capital changes		1,172,864,776	647,238,704
(Increase)/decrease in current assets			
Stores, spares and loose tools		(31,377,831)	1,400,168
Stock in trade		(65,533,337)	(7,236,322)
Trade debts		2,156,977	2,187,213
Advances, deposits, prepayments and other receivables		1,193,082	(35,871,419)
Increase in current liabilities			
Trade and other payables		65,868,545	7,784,618
		(27,692,564)	(31,735,742)
Cash generated from operations		1,145,172,212	615,502,962
Finance cost paid		(53,779,085)	(22,971,523)
Contribution to staff retirement benefit		-	(1,382,754)
Compensated absences paid		(529,220)	(348,596)
Income tax paid		(221,712,273)	(129,522,497)
		(276,020,578)	(154,225,370)
Net cash inflow from operating activities		869,151,634	461,277,592
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,054,350,996)	(278,707,911)
Sale proceeds of property, plant and equipment		4,407,652	1,930,607
Profit on bank deposits		14,015,223	2,065,658
Decrease in long term loans and advances		2,434,877	(1,695,853)
Increase in long term security deposits		3,318,600	286,444
Short term investment		(6,635,656)	-
(Increase)/decrease in long term deposits		537,250	(1,804,360)
Net cash outflow from investing activities		(1,035,373,050)	(277,925,395)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares - net		412,376,043	-
Repayments/proceeds from long term finance - net		146,200,000	(38,900,000)
Payment of finance lease liabilities		(29,335,848)	(17,473,388)
Dividend paid		(13,903)	(116,849)
Net cash inflow/(outflow) from financing activities		529,226,292	(56,490,237)
Net increase in cash and cash equivalents		363,004,876	126,861,960
Cash and cash equivalents at the beginning of the year		236,483,848	109,621,888
Cash and cash equivalents at the end of the year	32	599,488,724	236,483,848

The attached notes 1 to 39 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

Lahore: September 30, 2006

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Share Capital	Share Premium	Fair value reserve	General Reserve	Un appropriated Profit	Total
	Rupees					
Balance as at 30 June 2004	329,000,015	92,120,028	-	70,000,000	204,110,962	695,231,005
Net profit for the year	-	-	-	-	386,501,340	386,501,340
Issuance of bonus shares	164,500,005	-	-	-	(164,500,005)	-
Balance as at 30 June 2005	493,500,020	92,120,028	-	70,000,000	426,112,297	1,081,732,345
Net profit for the year	-	-	-	-	789,866,901	789,866,901
Issuance of bonus shares	246,750,010	-	-	-	(246,750,010)	-
Issuance of 18,506,251 ordinary shares of Rs 10 each at a subscription price of Rs 22.5 per share fully paid in cash - net of share issue expenses	185,062,510	227,313,533	-	-	-	412,376,043
Fair value adjustment on available for sale investments	-	-	(35,656)	-	-	(35,656)
Balance as at 30 June 2006	**925,312,540**	**319,433,561**	**(35,656)**	**70,000,000**	**969,229,248**	**2,283,939,693**

The attached notes 1 to 39 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

Lahore: September 30, 2006

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

1 Status and nature of the business

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

2 Statement of compliance and significant estimates

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 Accounting Standards as 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 take precedence.

2.2 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying companies accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Defined benefit plans
b) Provisions for taxation
c) Accrued liabilities
d) Provision for doubtful debts

3 Significant accounting policies

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial investment at fair value and recognition of staff retirement benefits at present value.

3.2 Fixed capital expenditure and depreciation

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

Depreciation on property, plant and equipment is charged to income by applying reducing balance method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 13. During the year as a result of revision in International Accounting Standard 16 - " Property, Plant and Equipment", the Company has changed its accounting method of charging depreciation whereby depreciation is charged from the month in which assets are put to use upto the month before the disposal of asset. Previously the Company charged full years depreciation on additions, except on major additions or extensions to production facilities which were depreciated on pro-rata basis for the period of use during the year, while no depreciation was charged in the year of disposal. Such change, being a change in accounting estimate, has been accounted for prospectively. Had there been no change in the estimate, the profit for the year and unappropriated profit would have been lower by Rs. 2,702,177.

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

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

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

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

3.3 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets at the inception of the lease. The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 7. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under finance lease are amortized over the useful life of the assets on a reducing balance method at the rates given in note 13. Amortization of leased assets is charged to current income.

3.4 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.5 Stock in trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct cost of materials, labour and appropriate portion of production overheads. Net realizable value signifies the ex-factory sales price in the ordinary course of business less expenses necessary to be incurred in order to make the sale.

3.6 Employee benefits

Defined benefit plan

The Company operates a funded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2006, using the projected unit credit method.

Actuarial gains/losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets are amortised over average future service of the employees.

Defined contribution plan

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

Compensated absences

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

3.7 Taxation

Current

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

Deferred

The Company accounts for deferred taxation, using the liability method, on all temporary differences. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

3.8 Foreign currency translation

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

3.9 Borrowing costs

All mark-up, interest and other charges are charged to income currently.

3.10 Revenue recognition

Revenue from sales is recognized when the risks and rewards are transferred i.e. at the time of dispatch of goods to the customers.

Profit on bank deposits is recognized on accrual basis.

3.11 Financial instruments

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

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

3.12 Off setting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

3.13 Trade and accrued liabilities

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

3.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.15 Trade debts

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

3.16 Investments

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments, for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

Unrealized gains and losses arising from changes in fair value are directly recognized in equity in the period in which these arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

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. Cost of purchase includes transaction cost.

At each reporting date, the Company reviews the carrying amount 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 but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.17 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term borrowings.

3.19 Dividend

Dividend is recognized as a liability in the period in which it is approved.

		2006 Rupees	2005 Rupees
4	**Issued subscribed and paid up capital**		
	20,749,585 (2005: 2,243,334) ordinary shares of Rs. 10 each fully paid up in cash	**207,495,850**	22,433,340
	11,230,000 (2005: 11,230,000) ordinary shares of Rs. 10 each issued against consideration other than cash	**112,300,000**	112,300,000
	60,551,669 (2005: 35,876,668) ordinary shares of Rs. 10 each issued as bonus shares	**605,516,690**	358,766,680
	92,531,254	**925,312,540**	493,500,020

24,750 (2005: 13,200) ordinary shares of the Company are held by M/s Tariq Motors (Private) Limited-related party.

		Note	2006 Rupees	2005 Rupees
5	**Reserves**			
	Capital			
	Share premium	5.1	**319,433,561**	92,120,028
	Fair value reserve	5.2	**(35,656)**	-
	Revenue			
	General reserve		**70,000,000**	70,000,000
			389,397,905	162,120,028

5.1 Share premium represents premium of Rs. 12.50 per share received on right issue of 18,506,251 ordinary shares in 2006 and Rs. 42 per share received on issue of 2,193,334 (2005: 2,193,334) ordinary shares to general public in 1994.

Share premium is net of Rs. 4,014,605 being the expenses on issue of right shares during the year ended 2006. This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

5.2 As referred to in note 3.16, this represents unrealized loss on remeasurement of investment at fair value.

	Note	Limit Rupees	2006 Rupees	2005 Rupees
6 - Long term finances - secured				
Union Bank Limited	6.1	*144 million*	**19,148,330**	47,948,330
Bank of Khyber	6.2	*100 million*	**62,500,000**	87,500,000
Consortium of financial institutions led by Union Bank Limited	6.3	*2,600 million*	**200,000,000**	-
			281,648,330	135,448,330
Less: Current maturity shown under current liabilities			**44,148,330**	53,800,000
			237,500,000	81,648,330

6.1 This facility has been obtained to retire import letters of credit for plant, machinery and equipment for the White Cement Plant. The facility carried mark-up at the rate of 3% above six months KIBOR with a floor of 7%. The interest is payable quarterly. This loan is repayable uptill August 2008 in 60 monthly installments of Rs. 2.4 million each. This facility is secured by way of a first registered charge on company's fixed assets ranking pari passu with other banks to an extent of Rs. 500 million and personal guarantees of the directors.

6.2 This facility has been obtained for financing the White Cement Plant. The finance carries mark up at the rate of 10% per annum, which is to be paid half yearly. Loan is repayable in eight half yearly equal installments of Rs 12.5 million each commencing from March 2005. This facility is secured by way of first pari passu registered charge over Company's fixed assets to the extent of Rs 153.8 million and personal guarantees of all the sponsoring directors.

6.3 This facility has been obtained for financing the new 6700 TPD clinker capacity of Grey Cement Line (expansion project). The finance carries mark up at the rate of six month KIBOR plus 3% subject to floor of 6.5%, payable quarterly in arrears. The loan is repayable in 20 quarterly stepped up installments after a grace period of 18 months. This facility is secured by way of first pari passu hypothecation/equitable mortgage charge over all the present and future fixed and current assets of the Company to the extent of Rs. 3,733 million and personal guarantees of all the directors.

7- Liabilities against assets subject to finance lease - Secured

	2006			2005		
	Minimum lease payments	Finance cost for future period	Present Value of MLP	Minimum lease payments	Finance cost for future period	Present Value of MLP
	Rupees					
Not later than one year	35,043,684	978,900	34,064,784	34,124,874	3,827,592	30,297,282
Later than one year but not later than five years	2,417,611	59,513	2,358,098	36,575,860	1,114,412	35,461,448
	37,461,295	1,038,413	36,422,882	70,700,734	4,942,004	65,758,730

The Company has entered into Finance Lease Arrangements with various leasing companies for the lease of coal plant and vehicles as shown in note 13 below. The liabilities under these arrangements are payable in monthly/quarterly installments.

Interest rate implicit in the lease ranges from 7.75% to 13.38% per annum. All lease agreements carry renewal option at the end of lease period, however, the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the lease has already been paid at the inception of the lease in the form of security deposits. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by lessee.

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

	Note	2006 Rupees	2005 Rupees
8 Long term security deposits			
From cement stockiest	8.1	5,051,100	1,732,500
From cement transporters	8.2	400,000	400,000
		5,451,100	2,132,500

8.1 These are interest free and repayable on the termination of the agency. These are being utilized by the Company in accordance with the terms of the contract.

8.2 These are interest free security deposits for providing guarantee of safe delivery of cement to customers and are repayable on demand. These are being utilized by the Company in accordance with the terms of the contract.

9 Deferred liabilities

	Note	2006 Rupees	2005 Rupees
Deferred taxation	9.1	152,712,395	98,684,395
Staff retirement benefits	9.2	3,089,229	33,908
Compensated absences		5,466,212	5,521,817
		161,267,836	104,240,120

	2006 Rupees	2005 Rupees
9.1 Deferred taxation		
The liability for deferred taxation comprises of temporary differences relating to:		
Accelerated tax depreciation	**161,728,750**	118,623,772
Liabilities under finance lease that are deducted for tax purpose only when paid	**(9,016,355)**	(19,939,377)
	152,712,395	98,684,395

9.2 Staff retirement benefits

The amounts recognized in the balance sheet on account of defined benefit plan i.e. gratuity are as follows:

	2006	2005
Movement in the amounts recognized in the balance sheet		
Net assets/(liability) as at 01 July	**(33,908)**	1,097,189
Expense recognized in profit and loss account	**(3,055,321)**	(2,513,851)
Contributions made during the year	**-**	1,382,754
Net liability as at 30 June	**(3,089,229)**	(33,908)
Reconciliation of the amounts recognized in the balance sheet		
Fair value of plan assets	**32,330,544**	31,723,598
Present value of defined benefit obligations	**(34,855,274)**	(33,627,423)
Benefits payable to outgoing members	**(422,869)**	-
Unrecognized actuarial loss/(gains)	**(141,630)**	1,869,917
	(3,089,229)	(33,908)

Principal actuarial assumptions

The latest actuarial valuation was carried out as at 30 June 2006 under the "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	Per annum	
	2006 %	2005 %
Discount rate	**9**	9
Expected rate of future salary increase	**8**	8
Expected rate of return	**8**	8
Average expected remaining working life time of employees	**9 Years**	9 Years

	Note	2006 Rupees	2005 Rupees
Actual return on plan assets			
Expected return on plan assets		2,855,124	2,474,900
Actual gain/(loss) on plan assets		(715,025)	(1,687,557)
		2,140,099	787,343
Expense recognized in the income statement			
Current service cost		2,883,977	2,713,890
Interest cost		3,026,468	2,274,861
Expected return on plan assets		(2,855,124)	(2,474,900)
		3,055,321	2,513,851

10 Trade and other payables

	Note	2006 Rupees	2005 Rupees
Creditors		30,970,308	16,072,513
Accrued liabilities		36,651,514	34,710,381
Advances from cement customers		29,629,108	17,038,524
Bills payable		2,175,663	5,742,738
Workers' profit participation fund	10.1	55,368,159	30,064,214
Workers' welfare fund		10,758,187	10,114,074
Payable to Government on account of:			
Income tax deducted at source		470,579	532,940
Sales tax		14,437,096	5,091,753
Royalty and excise duty		7,081,757	5,715,372
Security and retention money	10.2	8,751,804	5,147,319
Unclaimed dividend		1,670,850	1,684,753
Other payables		17,284,035	17,479,837
		215,249,060	149,394,418

Trade creditors include amount due to related parties Rs. Nil (2005: Rs. Nil).

10.1 Workers' profit participation fund

	Note	2006 Rupees	2005 Rupees
Opening balance		30,064,214	21,292,235
Allocation for the period	27	55,368,159	30,056,371
Interest accrued		1,838,742	7,843
		87,271,115	51,356,449
Paid during the year		(31,902,956)	(21,292,235)
		55,368,159	30,064,214

10.2 Security and retention money

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

11 - Short term running finances - secured

	Note	Limit Rupees	2006 Rupees	2005 Rupees
The Bank of Khyber	11.1	50 million	**52,224,582**	52,582,288
Union Bank Limited	11.2	80 million	**5,172,924**	-
			57,397,506	52,582,288

11.1 This facility has been obtained to finance the working capital requirements of the Company. The facility carries mark up at one year KIBOR plus 3% with a floor of 13% per annum, payable quarterly. The facility is secured by way of first pari passu hypothecation charge of Rs. 80 million on Company's present and future current assets, first equitable mortgage charge of Rs. 153.846 million on Company's existing and future fixed assets and personal guarantees of all directors. This facility is valid upto 31 August 2006 or repayable on demand.

11.2 This facility has been obtained to finance the working capital requirements of the Company. It carries markup at the rate of 3% over three months KIBOR with a floor of 7.0 % payable quarterly and is secured by way of first pari passu hypothecation charge of Rs. 50 million on present and future current assets of the Company, first equitable mortgage charge of Rs. 500 million on Company's existing and future fixed assets, insurance policy of stocks and other assets covering various risks and personal guarantees of all sponsoring directors. This facility is valid upto 31 May 2007.

11.3 Of the aggregate facility of Rs 196.5 million (2005:Rs 170 million) for opening letters of credit and Rs 20 million (2005:Rs 20 million) for guarantees, the amount utilized as at 30 June 2006 was Rs 70.8 million (2005:Rs 53.7 million) and Rs 0.87 million (2005:Rs 20 million) respectively.

12 Contingencies and commitments

12.1 Contingencies

The Engineering Services International (Pakistan) Limited has raised a claim of Rs 5,449,000 against the Company on account of Mechanical Installation/Erection. A counter claim of Rs 1,307,962 has been lodged by the Company. The case is pending with the Senior Civil Judge, Lahore. Pending an outcome, no provision has been made in the accounts.

The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the Company, has raised a claim of Rs 5,640,000 against the Company on account of the interim dividend pertaining to the year ended 30 June 1993 declared by previous board of directors. The present Board of Directors has rescinded the declaration of interim dividend on various grounds. The matter is pending for arbitration with the Secretary of Finance, Government of Pakistan.

The Company has initiated recovery proceedings for the recovery of Rupees 14,100,000 interim dividend pertaining to the year ended 30 June 1992 paid by the previous management to the State Cement Corporation of Pakistan (Private) Limited. The said dividend has been rescinded by the Board and rescission confirmed at the Annual General Meeting. As a consequence the Company has withheld Rupees 14,100,000 interim dividend pertaining to the period ended 31 December 1994 payable to the State Cement Corporation of Pakistan (Private) Limited. Intimations have been made to the State Cement Corporation of Pakistan (Private) Limited and the Securities and Exchange Commission of Pakistan. This amount has been withheld on legal advice obtained from the corporate lawyers. Currently the matter is pending for arbitration with the Secretary of Finance, Government of Pakistan.

Guarantees issued by Union Bank of Pakistan on behalf of the Company is of Rs 0.87 million (2005:Rs 20 million) in favour of Collector Customs, Excise, Sales Tax and other government institutions for supply of cement.

	2006 Rupees	2005 Rupees
12.2 Commitments		
Capital expenditure	**2,420,441,209**	305,590,349
Other than capital expenditure	**42,653,190**	53,701,476

13 - Operating fixed assets

	Cost			Rate	Depreciation				Net Book value as at 30 June 2006
	As at 01 July 2005	Additions/ transfers/ (deletions)	As at 30 June 2006	%	As at 01 July 2005	For the year	(Disposal)	As at 30 June 2006	
	Rupees				Rupees				
Owned:									
Freehold land	36,913,132	-	36,913,132	-	-	-	-	-	36,913,132
Buildings on freehold land:									
Factory buildings	191,823,052	106,017,720	297,840,772	10	156,345,387	9,684,348	-	166,029,735	131,811,037
Office and other buildings	14,286,876	-	14,286,876	5	8,943,443	267,171	-	9,210,614	5,076,262
Housing colony	41,038,199	6,825,720	47,863,919	5	21,549,582	1,059,246	-	22,608,828	25,255,091
Plant, machinery and equipment	1,173,855,876	463,057,504	1,636,913,380	10	834,152,853	60,333,899	-	894,486,752	742,426,628
Storage tanks and pipelines	17,187,050	-	17,187,050	10	15,394,012	179,304	-	15,573,316	1,613,734
Power installations	82,975,450	-	82,975,450	10	74,140,603	883,485	-	75,024,088	7,951,362
Furniture, fixtures and other office equipment	19,990,494	2,438,365 (22,305)	22,406,554	10	11,549,848	946,285	(12,960)	12,483,173	9,923,381
Computer and printers	4,661,121	1,001,107	5,662,228	30	2,851,017	667,046	-	3,518,063	2,144,165
Weighing scales	1,092,015	-	1,092,015	10	875,183	21,683	-	896,866	195,149
Vehicles	16,745,582	30,283,684 (4,086,169)	42,943,097	20	12,030,326	3,972,722	(2,898,648) 1,765,080	14,869,479	28,073,618
Heavy vehicles	99,382,953	6,724,500	106,107,453	20	87,530,298	2,733,990	2,125,440	92,389,728	13,717,725
Railway sidings	9,853,476	-	9,853,476	5	6,652,123	160,068	-	6,812,191	3,041,285
Laboratory equipments	19,300,725	1,094,415	20,395,140	10	14,739,034	512,341	-	15,251,375	5,143,765
Library books	94,217	-	94,217	10	67,076	2,714	-	69,790	24,427
	1,729,203,218	617,440,015 (4,108,474)	2,342,534,759		1,246,820,781	61,424,306	979,912	1,329,223,998	1,013,310,761
Leased:									
Plant and machinery	100,000,000	-	100,000,000	10	19,675,000	8,032,500	-	27,707,500	72,292,500
Heavy vehicles	10,850,000	(3,600,000)	7,250,000	20	3,575,440	1,160,000	(2,125,440)	2,610,000	4,640,000
Light vehicles	16,306,500	(7,408,500)	8,898,000	20	5,281,460	1,215,680	(2,461,860)	4,035,280	4,862,720
	127,156,500	(11,008,500)	116,148,000		28,531,900	10,408,180	(4,587,300)	34,352,780	81,795,220
2006	**1,856,359,718**	**617,440,015 (15,116,974)**	**2,458,682,759**		**1,275,352,681**	**71,832,486**	**(3,606,388)**	**1,363,576,778**	**1,095,105,981**
2005	1,818,725,959	37,633,759	1,856,359,718		1,215,693,149	64,233,260	(4,573,728)	1,275,352,681	581,007,037

	Note	2006 Rupees	2005 Rupees
13.1 Depreciation charged for the year has been allocated as follows			
Cost of goods sold	24	**90,902,352**	63,520,114
Distribution cost	25	**246,262**	213,943
Administrative and general expenses	26	**683,871**	499,203
		91,832,485	64,233,260

13.2 Disposal of operating fixed assets

Particulars of vehicles sold	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit	Mode of sale	Particulars of purchaser
	Rupees						
Suzuki Swift B-1319	154,619	151,846	2,773	110,435	107,662	Negotiation	Mr. Amjad Khan, Peshawar
Suzuki Swift B-1928	207,500	200,231	7,269	130,435	123,166	Negotiation	Mr. Zahicullah Nasrullah, Peshawar
Toyota Corolla B-2559	468,000	421,936	46,064	380,000	333,936	Negotiation	Mr. Shamsul Qamar, Peshawar
Daewoo Racer LXB-9182	353,000	306,411	46,589	134,782	88,193	Negotiation	Dr. Tahir Rehman, Peshawar
Mitsubishi Pajero LOW-8543	600,000	358,336	241,664	270,000	28,336	Negotiation	Mr. Muhammad Rashid, Lahore
Honda Civic Vti LRB-7137	1,190,550	727,283	463,267	767,000	303,733	Negotiation	Mr. Muhammad Omer, Lahore
Suzuki Van Bolan B-1927	263,500	245,845	17,655	175,000	157,345	Insurance claim	EFU General Insurance
Toyota Corolla LHR-9031	849,000	486,760	362,240	500,000	137,760	Negotiation	Mr. Muhammad Afzal, Lahore
Honda Civic LRR-995	1,223,000	440,280	782,720	890,000	107,280	Negotiation	Mr. Zulfiqar Ali, Islamabad
Honda Civic Vti LZM-9700	1,282,500	256,500	1,026,000	1,050,000	24,000	Negotiation	Mr. Rizwan Ghan, Lahore
	6,591,669	3,595,428	2,996,241	4,407,652	1,411,411		

	Note	2006 Rupees	2005 Rupees
14- Capital work-in-progress			
Civil works		14,587,136	3,180,008
Expansion project - white cement:			
Civil works		-	97,952,890
Plant and machinery		-	353,175,265
Stores held for capital expenditure		-	50,070,412
		-	501,198,567
Expansion project - grey cement:			
Civil works		425,279,621	4,744,775
Plant and machinery (including in transit Rs. 7.072 million)		109,245,962	-
Advances to plant suppliers		390,030,791	29,750,045
Stores held for capital expenditure		38,487,395	-
Letter of credit in process		6,656,471	-
		969,700,240	34,494,820
		984,287,376	538,873,395

15 Long term loans and advances

	Note	2006 Rupees	2005 Rupees
Loans to employees-secured-considered good	15.1	5,282,908	7,717,785
Less: Receivable within one year	20.1	(2,717,274)	(3,078,712
		2,565,634	4,639,073

15.1 Reconciliation of the carrying amount of loan and advances to employees:

	2006 Rupees	2005 Rupees
Balance at the beginning of the year	7,717,785	5,032,128
Disbursements	1,359,052	6,035,438
Recovered during the year	(3,794,339)	(3,349,781)
Balance at the end of the year	5,282,498	7,717,785

Loans to officers carries mark-up at the rate of 5% per annum and loan to workers carries nil mark-up. These loans are secured against lien on retirement benefits. House building loan to officers is repayable in 60 equal monthly installments. However, house building loan, car/motor cycle loan and marriage loan to workers are repayable in 48, 36 and 30 equal monthly installments respectively. At 30 June 2006 there is no amount that is receivable from Directors, Executives or Chief Executive (2005: Rs. Nil).

15.2 The maximum amount due from the Directors, Chief Executive and Executives at the end of any month during the year was Rs. Nil (2005: Rs. Nil).

	Note	2006 Rupees	2005 Rupees
16 Long term deposits			
Leasing companies		12,339,800	13,080,650
Less: Current portion shown under current assets	20	11,250,000	612,600
		1,089,800	12,468,050
Others		3,879,440	3,675,840
		4,969,240	16,143,890
17 Stores, spares and loose tools			
Stores	17.1	72,976,563	53,307,885
Spares		42,640,839	31,090,193
Loose tools		1,977,503	1,818,996
		117,594,905	86,217,074

17.1 These include stores in transit valuing Rs. 990,000 (2005: Rs. 3,160,625).

	Note	2006 Rupees	2005 Rupees
18 Stock in trade			
Raw materials		3,770,427	1,915,827
Work in process		62,999,016	8,328,611
Finished goods		9,478,097	4,736,861
Packing material		11,622,455	7,355,359
		87,869,995	22,336,658
19 Trade debts			
Considered good			
Secured		8,432,606	3,806,208
Un-secured	19.1	13,209,473	19,992,848
		21,642,079	23,799,056

19.1 This include Rs 1.625 million (2005:Rs 0.331 million) and Rs 0.208 million (2005:Nil) receivable from M/s Meena Bazar and M/s Auto Centre - related parties respectively.

	Note	2006 Rupees	2005 Rupees
20 Advances, deposits, prepayments and other receivables			
Advances - unsecured - considered good			
Company employees	20.1	6,527,432	5,001,785
Suppliers		64,104,492	68,386,239
Contractors		1,320,418	1,357,315
Receivable from Government on account of Excise duty		-	873,750
Letters of credit in process		3,982,071	1,495,879
Letter of credit/guarantee margin		3,763,809	5,058,376
Prepayments		836,479	758,698
Profit/mark-up on bank deposits receivable		1,773,513	2,072,491
Other advances and receivables - considered good		1,851,045	2,654,963
Current portion of long term deposits with leasing companies	16	11,250,000	612,600
Rebate on export sales receivable		3,179,751	1,533,012
		98,589,010	89,805,108

20.1 Advances to company's employees

	Note	2006 Rupees	2005 Rupees
Current maturity of long term loans	15	2,717,274	3,078,712
Others	20.2	3,810,158	1,923,073
		6,527,432	5,001,785

20.2 These include loans to executives of Rs. Nil (2005: Rs. Nil).

21 Short term investment

		2006 Rupees	2005 Rupees
Available for sale - quoted			
Gharibwal Cement Limited			
500,000 (2005: Nil) ordinary shares of Rs 10 each - at cost		6,635,656	-
Percentage of equity held: 0.03% (2005: Nil)			
Adjustment arising from measurement to fair value		(35,656)	-
		6,600,000	-

22 Cash and bank balances

	Note	2006 Rupees	2005 Rupees
Cash in hand		1,008,332	7,884,408
Cash at bank			
Current account		22,642,119	6,684,638
Saving account	22.1	633,235,779	274,497,090
		656,886,230	289,066,136

22.1 These carry mark-up @ 3.5 to 10.5% (2005: 1 to 3.5%) per annum.

		Note	2006 Rupees	2005 Rupees
23	**Sales**			
	Local sales - gross		2,237,901,785	2,120,666,745
	Less: Rebate on cement		6,315,895	6,512,474
	Sales tax		291,929,295	276,626,411
	Excise duty		297,128,625	355,144,875
			595,373,815	638,283,760
			1,642,527,970	1,482,382,985
	Export sales	23.1	684,709,609	233,043,530
			2,327,237,579	1,715,426,515

23.1 This amount include Rs. 3.5 million (2005: Rs. 3.8 million) of export rebate.

		Note	2006 Rupees	2005 Rupees
24	**Cost of goods sold**			
	Opening work-in-process		8,328,611	5,782,324
	Raw and packing materials consumed	24.1	130,033,213	109,875,006
	Power and fuel		244,400,775	219,455,026
	Furnace oil and coal		521,812,187	465,537,075
	Coal unloading and feeding charges		2,690,347	2,624,727
	Stores and spares consumed		47,612,554	52,372,217
	Salaries, wages and other benefits	24.2	95,024,948	84,325,433
	Royalty and excise duty		16,567,998	14,671,722
	Rent, rates and taxes		1,175,132	824,862
	Repairs and maintenance		10,433,055	10,392,824
	Transportation charges		25,369,197	18,877,347
	Insurance		4,454,022	4,162,633
	Depreciation	13.1	90,902,352	63,520,114
	Other expenses		16,551,217	9,896,729
			1,215,355,608	1,062,318,039
	Less: Closing work-in-process		62,999,016	8,328,611
	Cost of goods manufactured		1,152,356,592	1,053,989,428
	Opening stock of finished goods		4,736,861	1,950,952
			1,157,093,453	1,055,940,380
	Closing stock of finished goods		9,478,097	4,736,861
			1,147,615,356	1,051,203,519
	Less: Cost attributable to own cement consumption		20,039,695	-
			1,127,575,661	1,051,203,519

	Note	2006 Rupees	2005 Rupees
24.1 Raw and packing materials consumed			
Opening stock as at 01 July			
Raw materials		1,915,827	2,151,461
Packing materials		7,355,359	5,215,599
		9,271,186	7,367,060
Purchases			
Raw materials		26,585,261	10,017,947
Packing materials		109,569,648	101,761,185
		136,154,909	111,779,132
		145,426,095	119,146,192
Closing stock as at 30 June			
Raw materials		3,770,427	1,915,827
Packing materials		11,622,455	7,355,359
		15,392,882	9,271,186
		130,033,213	109,875,006

24.2 Salaries, wages and other benefits include Rs 1,950,268 and Rs 2,559,053 (2005:Rs 1,935,181 and Rs 2,025,577) in respect of provident fund contribution and employees' gratuity fund respectively.

25 Distribution cost

	Note	2006 Rupees	2005 Rupees
Salaries, wages and other benefits	25.1	5,889,027	5,494,740
Vehicle running		1,118,067	1,059,675
Travelling and conveyance		292,182	233,340
Printing and stationery		390,399	229,817
Postage, telephone and telegrams		612,432	637,455
Entertainment		517,420	945,058
Rent, rates and taxes		564,680	280,325
Electricity, water and gas		106,842	79,590
Advertisement		1,781,525	371,032
Depreciation	13.1	246,262	213,943
Cement loading charges		2,731,483	2,521,147
Sea freight charges on exports		906,464	-
Miscellaneous		376,464	443,246
		15,533,247	12,509,368

25.1 Salaries, wages and other benefits include Rs 152,189 and Rs 145,532 (2005:Rs 153,631 and Rs 137,175) in respect of provident fund contribution and employees' gratuity fund respectively.

26 Administrative and general expenses

	Note	2006 Rupees	2005 Rupees
Salaries, wages and other benefits	26.1	**19,994,797**	17,242,343
Vehicle running		**2,445,177**	2,285,707
Traveling and conveyance		**2,747,235**	2,676,206
Printing and stationery		**1,183,758**	906,041
Legal and professional	26.2	**2,254,755**	2,260,618
Postage, telephone and telegrams		**2,141,474**	2,161,776
Repairs and maintenance		**891,734**	-
Rent, rates and taxes		**2,747,769**	2,525,352
Entertainment		**872,263**	744,364
Auditor's remuneration	26.3	**287,500**	287,500
Depreciation	13.1	**683,871**	499,203
Advertisement		**772,289**	117,047
Miscellaneous		**1,256,952**	1,620,462
		38,279,574	33,326,619

26.1 Salaries, wages and other benefits include Rs 357,404 and Rs 350,736 (2005:Rs 349,700 and Rs 351,099) in respect of provident fund contribution and employees' gratuity fund respectively.

26.2 Legal and professional charges include remuneration to cost auditor Rs 35,000 (2005: Rs 30,000) and to tax consultant Rs 210,000 (2005:Rs 865,000).

26.3 Auditor's remuneration

	2006 Rupees	2005 Rupees
Statutory audit	**175,000**	175,000
Half year review	**82,500**	82,500
Out of pocket expenses	**30,000**	30,000
	287,500	287,500

27 Other operating expenses

	Note	2006 Rupees	2005 Rupees
Workers' profit participation fund		**55,368,159**	30,056,371
Workers' welfare fund		**10,732,120**	10,114,074
Donations	27.1	**5,333,692**	3,184,403
		71,433,971	43,354,848

27.1 None of the directors of the Company or any of their spouse have any interest in donee's fund except for Rs 4,104,316 (2005: Rs 1,369,407) paid to Kohat Cement Educational Trust. Mr. Aizaz Mansoor Sheikh and Mr. Nadeem Atta Sheikh, Directors of the Company are members of the Board of Trustees of Kohat Cement Educational Trust.

		Note	2006 Rupees	2005 Rupees
28	**Other operating income**			
	Income from financial assets			
	Profit/mark-up on bank deposits		14,616,245	2,642,107
	Interest income on staff loans		-	810,577
	Income from non-financial assets			
	Insurance claim realized		982,000	982,000
	Income from sale of scrap		380,012	340,638
	Sale of dead/obsolete store		-	1,648,482
	Profit on sale of assets		1,411,411	604,435
	Excess depreciation written back		-	1,296,000
	Miscellaneous		1,716,872	805,000
			19,106,540	9,129,239
29	**Finance cost**			
	Interest/mark-up on:			
	Liabilities against assets subject to finance lease		3,825,017	6,213,288
	Short term finances under mark up arrangements		2,866,383	1,785,947
	Long term loans		18,863,990	12,465,164
	Workers' profit participation fund		1,838,742	7,843
	Bank charges, commission and others		3,378,375	2,740,033
	Advisory, arrangement and participation fee		23,325,000	-
			54,097,507	23,212,275
30	**Taxation**			
	For the year			
	Current	*30.1*	192,571,359	176,321,785
	Deferred		54,028,000	(1,874,000)
			246,599,359	174,447,785
	For prior year			
	Current		2,957,839	-
			249,557,198	174,447,785

30.1 Current

While finalising the assessments for the assessment year 2001-02 and 2002-03, the Taxation Officer has disallowed certain expenses. These disallowances resulted in an aggregate incremental tax liability of Rs 14.5 million.

In all the above cases, the management of the Company disputed the department's contention and has filed appeals against the said decisions before the Commissioner of the Income Tax (Appeals)/Income Tax Appellate Tribunal which are pending adjudication.

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

30.2 Tax charge reconciliation

Numerical reconciliation between the applicable tax rate and the average effective tax rate:

	2006 %	2005 %
Applicable tax rate as per Income Tax Ordinance, 2001	35	35
Tax effect of amounts that are:		
not deductible for tax purposes	3.29	4.55
allowable deductions for tax purposes	(13.10)	(3.76)
Tax effect of profit attributable to presumptive income	(6.66)	(4.36)
Tax effect of prior year charge	0.28	-
Deferred tax due to change in temporary difference	5.19	(0.33)
Average effective tax rate charged to profit and loss account	24.00	31.10

31 Earnings per share

Basic Earnings per share

		2006	2005
Profit for the year after taxation	*Rupees*	789,866,961	386,501,340
Weighted average number of ordinary shares in issue during the year	*Numbers*	87,164,948	85,869,003
Earnings per share	*Rupees*	9.06	4.50

Number of shares in issue during the year ended June 30, 2006 has been restated for the effect of bonus shares and right shares issued during the year.

Diluted Earnings per share

There is no dilution effect on the basic earnings per share as the Company has no such commitments.

		Note	2006 Rupees	2005 Rupees
32	**Cash and cash equivalents**			
	Cash and bank balances	22	**656,886,230**	289,066,136
	Short term running finances	11	**(57,397,506)**	(52,582,288)
			599,488,724	236,483,848

33 Transactions with related parties

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

	2006	2005
Contribution to provident fund	**2,459,861**	2,438,512
Contribution to gratuity fund	**-**	1,382,754
Sale of cement to associated companies	**8,704,600**	331,500

34 - Financial assets and liabilities

	Effective Interest rate %	Interest Bearing		Non-Interest Bearing		Total	
		Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year	2006	2005
		Rupees					
Financial assets							
On balance sheet							
Loans and advances to employees	5	212,409	150,840	6,315,023	2,414,794	**9,093,066**	9,640,858
Deposits		-	-	11,250,000	4,969,240	**16,219,240**	15,756,490
Trade debts		-	-	21,642,079	-	**21,642,079**	23,799,056
Advances deposits and other receivables		-	-	6,804,309	-	**6,804,309**	6,260,466
Cash and bank balances	3.5 - 10.5	633,235,779	-	23,650,451	-	**656,886,230**	289,066,136
		633,448,188	150,840	69,661,862	7,384,034	**710,644,924**	345,523,006
Off balance sheet		-	-	-	-	-	-
		633,448,188	150,840	69,661,862	7,384,034	**710,644,924**	345,523,006
Financial liabilities							
On balance sheet							
Long term loans	10 - 12.74	44,148,330	237,500,000	-	-	**281,648,330**	135,448,330
Liabilities against assets subject to finance lease	7.75 - 13.38	34,064,784	2,358,098	-	-	**36,422,882**	65,758,730
Earned leaves		-	-	-	5,466,212	**5,466,212**	5,521,817
Deposits and retention money		-	-	8,751,804	5,451,100	**14,202,904**	7,279,819
Short term borrowings	7 - 13	57,397,506	-	-	-	**57,397,506**	52,582,288
Interest on secured loans		-	-	1,973,686	-	**1,973,686**	1,655,264
Creditors accrued other liabilities		-	-	88,752,370	-	**88,752,370**	75,690,223
		135,610,620	239,858,098	99,477,860	10,917,312	**485,863,690**	343,936,471
Off balance sheet							
Commitments		-	-	2,463,094,399	-	**2,463,094,399**	359,291,825
Guarantees		-	-	870,000	-	**870,000**	20,000,000
		135,610,620	239,858,098	2,563,442,259	10,917,312	**2,949,828,089**	723,228,296

Risk management

34.1 Concentration of credit risk

Credit risk represents the accounting loss that would result if counter parties fail to perform as contracted. All the financial assets except cash in hand are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limit to its customers.

34.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Financial liabilities include balance of Rs 339 million (2005:Rs 191 million) which is subject to interest rate risk. Other long term and short term borrowings are at fixed rates.

34.3 Currency Risk

Currency risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rate. Currency risk arises mainly where receivable and payables exist due to transactions with foreign buyers and suppliers. The Company does not hedge the payables, however, the risk of exposure is mitigated by matching the maturity periods of foreign currency receivables and payables.

34.4 Fair value of the financial instruments

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

35 - Remuneration of Chairman, Chief Executive, Directors and Executives

	Chairman		Chief Executive		Directors	
	2006	2005	**2006**	2005	**2006**	2005
	Rupees					
Managerial remuneration	-	-	**320,000**	320,000	**640,000**	480,000
Rent and utilities allowance	-	-	**160,000**	160,000	**320,000**	240,000
Medical reimbursement	**820,736**	-	**14,256**	-	-	-
Other reimbursable expenses	-	-	**329,050**	1,195,202	**501,541**	1,810,476
	820,736	-	**823,306**	1,675,202	**1,461,541**	2,530,476
Number of persons	**1**	1	**1**	1	**2**	2

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

36 **Capacity and production**

	Plant Capacity		Actual Production	
	2006	2005	**2006**	2005
Clinker				
Grey (M Tons)	**540,000**	540,000	**554,300**	531,149
White (M Tons)	**135,000**	-	**15,573**	-
Cement				
Grey (M Tons)	**567,000**	567,000	**554,560**	561,733
White (M Tons)	**141,750**	-	**15,246**	-

On 01 December 2005 the White Cement Plant of the Company has been commissioned. Under capacity utilization of white cement is due to the low market demand. The capacity of the plant is based on 300 days.

37 **Date of authorization for issue**

These financial statements were authorized for issue on 30 September 2006 by the board of directors of the Company.

38 **Post balance sheet events**

The Board of Directors at their meeting held on 30 September 2006 have proposed a stock dividend @ 10% i.e. 01 share for every 10 shares held for the year ended 30 June 2006 for approval of the members at the Annual General Meeting to be held on 31 October 2006. These financial statements do not reflect the proposed stock dividend.

39 **General**

Figures have been rounded off to nearest rupees.

CHIEF EXECUTIVE

Lahore: September 30, 2006

DIRECTOR