



ANNUAL REPORT 2007

**KOHAT CEMENT
COMPANY LIMITED**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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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. Omar Aizaz 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-Ferozpur 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

Website: kohatcement.com

Entity Credit Rating

Rating Agency: PACRA

Long Term: A - (Single A minus)

Short Term: A2 (A Two)

Bankers of the Company

Standard Chartered Bank(Pakistan) Ltd.

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

Bank Al-Habib Limited

Seneri Bank Limited

First Women Bank Limited

Prime Commercial Bank Limited

Muslim Commercial Bank Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 28th Annual General Meeting of the shareholders of Kohat Cement Company Limited for the financial year ended 30th June 2007 will be held on Wednesday, October 24, 2007, 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 Extraordinary General Meeting held on June 25, 2007.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2007 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the year 2007-2008 and to fix their remuneration. The present Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retires and being eligible, offers them for reappointment.
4. To approve issue of Bonus Shares @ 15% i.e. 15 (fifteen) Ordinary Shares for every 100 (hundred) 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. 152,676,570 out of the Share Premium Account be capitalized and applied for issuing of 15,267,657 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 16, 2007 in proportion of fifteen such new shares for every hundred existing ordinary shares held and that such new shares shall rank *pari passu* with the existing ordinary shares of the Company.
 - b) All fractional bonus shares be consolidated and sold in any Stock Exchange of Pakistan and the sale proceeds thereof be donated to; any non-profit organization listed in Clause 61 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, or to any other organization approved as a non-profit organization in terms of the provisions of Income Tax Ordinance, 2001.
 - 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: October 03, 2007

Notes:

1. The register of members and the share transfer books of the Company will be closed from Wednesday, October 17, 2007 to Wednesday, October 24, 2007 (both days inclusive). Physical transfers / CDS transactions IDs received in order at the share department of the Company, AZM Computer Services (Pvt.) Limited, 24-Ferozpur Road, Mozang Chungi, Lahore, upto the close of business on Tuesday, October 16, 2007 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 / CDS IDs in all correspondence with the Company and at the time of attending the Annual General Meeting.
5. The members are requested to notify immediately changes, if any, in their registered addresses.

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 increasing the paid up capital by issue of 15,267,657 ordinary shares as fully paid bonus shares by capitalization of Share Premium Account upto Rs. 152,676,570 under Section 83(2)(d) of the Companies Ordinance, 1984. 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, 2007

Financial results -The net sales revenue for the year under review is Rs. 1,553.7 million (2006: Rs. 2,327.2 million) reflecting a decline of 33.23% from last year. The Company has earned a pre-tax profit of Rs. 65.5 million (2006: Rs. 1,039.4 million) after accounting for all charges inclusive of depreciation of Rs. 111.8 million (2006: Rs.91.8 million) and mark-up of Rs. 252.5 million (2006: Rs. 3.4 million) on the Syndicated Term Finance pertaining to the construction period of the ongoing '6,700 tpd grey cement expansion project'. Downfall in the profitability viz a viz sales revenue of the Company is mainly attributable to decrease in cement prices. The financial results for the year under review are as under:

	Rupees in Thousand	
	2007	2006
Profit from operations	346,210	1,093,521
Finance cost on:		
- Term finance for new line under construction including advisory and arrangement fee	262,252	26,814
- Other finances for existing lines	18,370	27,283
	280,622	54,097
Profit before taxation	65,588	1,039,424
Taxation:		
- Current - for the year	23,932	192,571
- Current - for prior year	-	2,958
- Deferred - for the year	(7,151)	54,028
	16,781	249,557
Profit after taxation	48,807	789,867
Earnings per share (Rupees)		
- after taxation	0.48	7.76
- after taxation but before finance cost on term finance for new cement line under construction	3.06	8.02

Appropriations -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 issuing of Bonus Shares in proportion of 15 (fifteen) ordinary shares for every 100 (hundred) ordinary shares held (i.e. @ 15%) by capitalizing the Share Premium Account by an amount of Rs. 152,676,570 as permitted under Section 83 (2)(d) of the Companies Ordinance, 1984.

Market review -Local cement sales of cement industry during the year ended 30 June 2007 were 21 million tons (2006: 16.9 million tons) showing a 24.4% (2006: 14.3%) growth over the previous year, while export sales were 3.2 million tons (2006: 1.5 million tons) resulting in an unprecedented growth rate of 111.8% over the previous year. Whereas the overall growth rate in demand for the cement (both in local and export



markets) has been **31.5%**, the highest ever growth rate in history of cement industry.

The cement industry is under expansion as demand continues to surge as a result of positive developments in construction sector. Exports to Afghanistan and countries in the Gulf region have also helped to improve capacity utilization of the cement industry. Further, the opening of Indian Export Market will support the utilization of excess cement capacities.

Plant Performance - Grey Cement - Capacity utilization (clinker) for the year has been 93.71% as compared to 102.65% during the preceding year. The Company has dispatched 524,132 tons (includes in house consumption of 28,332 tons) of grey cement as compared to 556,730 tons of grey cement during the preceding year. Decrease in capacity utilization of clinker capacity and dispatches was mainly due to the planned shut down of the kiln and cement mill for maintenance.

Plant Performance - White Cement - During the year the Company has sold 22,902 tons of white cement. Underutilization of white cement plant capacity is due to the low market demand.

Exports During the year under review, the company exported 173,515 tons of grey cement and 3,663 tons of white cement.

Exports to India The requisite registration process with Indian Authorities enabling the Company to export cement to India is under process. Hopefully, the Company will get the necessary approvals before commencement of production from the new cement line.

Debt Obligations and Credit Rating: The Company is current with its debt obligations. According to the Pakistan Credit Rating Agency (PACRA) latest rating report, the long term rating of the entity is A- (Single A minus) and the short term rating is A2 (A Two). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.



Significant plans and decisions:

Grey Cement Expansion Project - The Construction of new grey cement line of '6,700 TPD clinker capacity' within the present premises at Kohat is near to completion. *Inshallah*, the Kiln will be fired by December 2007.

Commissioning of gas at plant - The supply of natural gas to the existing lines has been commissioned subsequent to the balance sheet date. The gas will replace furnace oil in white cement line and coal in grey cement line. Switching of gas as fuel will lead to substantial reduction in fuel costs as the gas is cheaper than furnace oil and coal.

Future prospects - In the light of present healthy macro-economic factors, over all growth in the sale of the cement, increasing export opportunities 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, 2007.

Financial highlights - Key operating & financial data of last nine 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 the balance sheet and in note no. 10.

Statement on value of staff retirement funds - The value of investments as at June 30, 2007 in respect of retirement funds is as under:

- Provident fund	Rs. 140.826 million	Un-audited
- Gratuity fund	Rs. 32.007 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
Mrs. Khawar Sultana	4
Mr. Aizaz Mansoor Sheikh	3
Mr. Nadeem Atta Sheikh	4
Mr. Tariq Atta Sheikh	4
Mrs. Ghazala Amjad	3
Mr. Omer Aizaz Sheikh	4
Mrs. Hafsa Nadeem	4

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:

		Bonus Shares allotted	Shares Sold
i)	Mrs. Khawar Sultana Chairperson/Director	83,847	-
ii)	Mr. Aizaz Mansoor Sheikh CEO / Director	1,861,214	245,000
iii)	Mr. Tariq Atta Sheikh Director	986,692	319,000
iv)	Mr. Nadeem Atta Sheikh Director	1,949,542	-
v)	Mr. Omer Aizaz Sheikh Director	122,921	-
vi)	Mrs. Ghazala Amjad Director	545,730	500,000
vii)	Mr. Hafsa Nadeem Director	136,264	-
viii)	Mrs. Hijab Tariq Director's Spouse	103,306	-
ix)	Mr. Sheikh Amjad Latif Director's Spouse	492,142	-

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

New Board of Directors - The new Board of Directors was elected for tenure of three years at the Extraordinary General Meeting of the Company held on June 25, 2007. The new Board appointed Mr. Aizaz Sheikh as the Chief Executive Officer of the Company for a period of three years w.e.f. June 29, 2007.

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 : 25 September 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Kohat Cement Company Limited
Year ended June 30, 2007

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. The three years term of the office of previous Board of Directors was completed and election of Directors for the next term of three years was held wherein all seven retiring directors were elected unopposed.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been adopted by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and term 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 the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses for its certain directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO) and Head of Internal Audit made during the year including their remuneration and term and conditions of the employment as determined by the CEO whereas Company Secretary was appointed prior to the implementation of the Code of Corporate Governance.

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

Lahore: September 25, 2007



AIZAZ MANSOOR SHEIKH
(CHIEF EXECUTIVE)

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

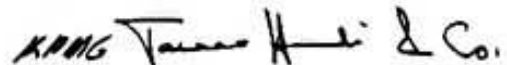
We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Kohat Cement Company Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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.

Lahore: September 25, 2007



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 2007 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 2007 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, was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore: September 25, 2007

BALANCE SHEET

	Note	2007 (Rupees)	2006 (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2006: 150,000,000) ordinary shares of Rs. 10 each		<u>1,500,000,000</u>	<u>1,500,000,000</u>
Issued, subscribed and paid up capital	4	1,017,843,800	925,312,540
Reserves	5	396,306,773	389,397,905
Unappropriated profit		<u>925,505,570</u>	<u>969,229,248</u>
		2,339,656,143	2,283,939,693
NON CURRENT LIABILITIES			
Long term finances - secured	6	2,703,308,354	237,500,000
Liabilities against assets subject to finance lease	7	-	2,358,098
Long term security deposits and retention money	8	106,808,320	5,451,100
Deferred liabilities	9	158,739,583	161,267,836
		<u>2,968,856,257</u>	<u>406,577,034</u>
CURRENT LIABILITIES			
Trade and other payables	10	178,982,959	215,249,060
Mark up payable on secured loans		12,260,606	1,973,686
Short term running finances - secured	11	146,434,421	57,397,506
Current portion of long term liabilities:			
Long term finances	6	218,120,218	44,148,330
Liabilities against assets subject to finance lease	7	-	34,064,784
Provision for taxation		-	32,760,357
		<u>555,798,204</u>	<u>385,593,723</u>
Contingencies and commitments	12		
		<u>5,864,310,604</u>	<u>3,076,110,450</u>

The attached notes 1 to 40 form an integral part of these financial statements.



CHIEF EXECUTIVE

Lahore: September 25, 2007

AS AT 30 JUNE 2007

	Note	2007 (Rupees)	2006 (Rupees)
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	13	1,023,528,041	1,095,105,981
Capital work-in-progress	14	4,234,731,837	984,287,376
		<u>5,258,259,878</u>	<u>2,079,393,357</u>
Long term loans and advances	15	45,731,201	49,565,634
Long term deposits	16	3,879,440	4,969,240
		<u>5,307,870,519</u>	<u>2,133,928,231</u>
CURRENT ASSETS			
Stores, spares and loose tools	17	157,436,002	117,594,905
Stock in trade	18	125,147,740	87,869,995
Trade debts	19	21,381,453	21,642,079
Advances, deposits, prepayments and other receivables	20	120,072,947	51,589,010
Short term investment	21	-	6,600,000
Cash and bank balances	22	132,401,943	656,886,230
		<u>556,440,085</u>	<u>942,182,219</u>
		<u><u>5,864,310,604</u></u>	<u><u>3,076,110,450</u></u>


DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 (Rupees)	2006 (Rupees)
Sales - net	23	1,553,733,256	2,327,237,579
Cost of goods sold	24	1,210,466,340	1,127,575,661
Gross profit		<u>343,266,916</u>	<u>1,199,661,918</u>
Distribution cost	25	18,701,815	15,533,247
Administrative and general expenses	26	46,338,529	38,279,574
		<u>65,040,344</u>	<u>53,812,821</u>
Operating profit		<u>278,226,572</u>	<u>1,145,849,097</u>
Other operating expenses	27	7,640,715	71,433,971
		<u>270,585,857</u>	<u>1,074,415,126</u>
Other operating income	28	75,624,748	19,106,540
Profit from operations		<u>346,210,605</u>	<u>1,093,521,666</u>
Finance cost	29	280,622,053	54,097,507
Profit before taxation		<u>65,588,552</u>	<u>1,039,424,159</u>
Taxation	30	16,780,970	249,557,198
Profit after taxation		<u>48,807,582</u>	<u>789,866,961</u>
Earnings per share	31	<u>0.48</u>	<u>7.76</u>

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

The annexed notes 1 to 40 form an integral part of these financial statements.



CHIEF EXECUTIVE

Lahore: September 25, 2007

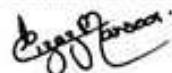


DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 (Rupees)	2006 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		65,588,552	1,039,424,159
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		111,880,044	91,832,485
Profit on sale of property, plant and equipment		(4,045,353)	(1,411,411)
Book value of property, plant and equipment written off		34,929	9,345
Provision for staff retirement benefits		3,197,012	3,055,321
Provision for compensated absences		931,244	473,615
Profit/mark-up on bank deposits		(42,497,909)	(14,616,245)
Profit on sale of available-for-sale investment		(54,945)	-
Finance cost		280,622,053	54,097,507
		<u>350,067,075</u>	<u>133,440,617</u>
Operating profit before working capital changes		415,655,627	1,172,864,776
(Increase)/decrease in current assets			
Stores, spares and loose tools		(39,841,097)	(31,377,831)
Stock in trade		(37,277,745)	(65,533,337)
Trade debts		260,626	2,156,977
Advances, deposits, prepayments and other receivables		(53,045,577)	1,193,082
(Decrease)/increase in current liabilities			
Trade and other payables		(36,259,533)	65,868,545
		<u>(166,163,326)</u>	<u>(27,692,564)</u>
Cash generated from operations		249,492,301	1,145,172,212
Finance cost paid		(270,335,133)	(53,779,085)
Contribution to staff retirement benefit (gratuity fund)		(898,100)	-
Compensated absences paid		(766,417)	(529,220)
Income tax paid		(70,418,116)	(221,712,273)
		<u>(342,417,766)</u>	<u>(276,020,578)</u>
Net cash (outflow)/inflow from operating activities		(92,925,465)	869,151,634
Cash flow from investing activities			
Fixed capital expenditure		(3,302,597,142)	(1,054,350,996)
Sale proceeds of property, plant and equipment		15,861,002	4,407,652
Profit/mark-up on bank deposits		43,267,558	14,915,223
Decrease in long term loans and advances		(865,567)	2,434,877
Increase in long term security deposits		101,357,220	3,318,600
Short term investment		-	(6,635,656)
Sale proceeds of available-for-sale investment		6,690,600	-
Decrease in long term deposits		-	537,250
Net cash outflow from investing activities		(3,136,286,329)	(1,035,373,050)
Cash flow from financing activities			
Proceeds from issue of ordinary shares - net		-	412,376,043
Proceeds from long term finances		2,683,928,572	200,000,000
Repayments of long term finances		(44,148,330)	(53,800,000)
Payment of finance lease liabilities		(24,083,082)	(29,335,848)
Dividend paid		(6,568)	(13,903)
Net cash inflow from financing activities		2,615,690,592	529,226,292
Net (decrease)/increase in cash and cash equivalents		(613,521,202)	363,004,876
Cash and cash equivalents at the beginning of the year		599,488,724	236,483,848
Cash and cash equivalents at the end of the year	32	(14,032,478)	599,488,724

The annexed notes 1 to 40 form an integral part of these financial statements.



CHIEF EXECUTIVE

Lahore: September 25, 2007



DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	Share Capital	Share Premium	Fair value reserve	General reserve	Hedging reserve	Un appropriated Profit	Total
	Rupees						
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	-	-	-	-	-	789,866,961	789,866,961
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 investment	-	-	(35,656)	-	-	-	(35,656)
Balance as at 30 June 2006	<u>925,312,540</u>	<u>319,433,561</u>	<u>(35,656)</u>	<u>70,000,000</u>	<u>-</u>	<u>969,229,248</u>	<u>2,283,939,693</u>
Net profit for the year	-	-	-	-	-	48,807,582	48,807,582
Issuance of bonus shares	92,531,260	-	-	-	-	(92,531,260)	-
Fair value reserve transferred to profit and loss account on disposal of available for sale investment	-	-	35,656	-	-	-	35,656
Unrealized gain on derivative financial assets (net off deferred tax impact of Rs. 2,159,341)	-	-	-	-	6,873,212	-	6,873,212
Balance as at 30 June 2007	<u>1,017,843,800</u>	<u>319,433,561</u>	<u>-</u>	<u>70,000,000</u>	<u>6,873,212</u>	<u>925,505,570</u>	<u>2,339,656,143</u>

The annexed notes 1 to 40 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

Lahore: September 25, 2007

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

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

2.1 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 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 Standards, interpretations and amendments to published approved accounting standards***Amendments to published standards effective in 2006***

IAS 19 (Amendment) - 'Employees Benefits' is mandatory for the Company's accounting period beginning 01 July 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 9.2 to the financial statements.

Standards amendments and interpretations effective in 2006 but not relevant

Other new standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning 01 July 2006 are considered not to be relevant or have any significant effect to the Company's operations.

Standards or interpretations not yet effective but relevant

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosures have been published that are applicable to the Company's financial statements covering annual periods, beginning on 01 July 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the Company. In addition IAS 23 "Borrowing Costs" has been revised and is effective for the Company's accounting period beginning after 01 July 2009. Adoption of this standard will result in a change in accounting policy of borrowing cost. The revised standard requires a entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. However, this change will not impact the results of the Company prior to 01 July 2009.

3 Significant accounting policies**3.1 Accounting convention and basis of preparation**

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

The preparation of financial statements in conformity with approved accounting standards requires

management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets
- Staff retirement benefits
- Taxation
- Provisions and contingencies

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.

Depreciation is charged from the month in which assets are put to use upto the month before the disposal of asset.

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 2007, 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.

Derivative financial instruments and hedging activities

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

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

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

hedge is recognised in equity and the ineffective portion is recognised in the profit and loss account immediately.

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

3.12 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.

	Note	2007 Rupees	2006 Rupees
4 Issued subscribed and paid up capital			
20,749,585 (2006: 20,749,585) ordinary shares of Rs. 10 each fully paid up in cash		207,495,850	207,495,850
11,230,000 (2006: 11,230,000) ordinary shares of Rs. 10 each issued against consideration other than cash		112,300,000	112,300,000
69,804,795 (2006: 60,551,669) ordinary shares of Rs. 10 each issued as bonus shares		698,047,950	605,516,690
<u>101,784,380</u>		<u>1,017,843,800</u>	<u>925,312,540</u>

27,225 (2006: 24,750) ordinary shares of the Company are held by M/s Tariq Motors (Private) Limited-related party.

5 Reserves

Capital

Share premium	5.1	319,433,561	319,433,561
Fair value reserve		-	(35,656)
Hedging reserve	5.2	6,873,212	-
Revenue			
General reserve		<u>70,000,000</u>	<u>70,000,000</u>
		<u>396,306,773</u>	<u>389,397,905</u>

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 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 30 June 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 20.2, this represents the effective portion of gain arising on cross currency swap. This reserve is net of deferred tax amounting to Rs. 2,159,341 (2006: Rs. Nil).

6 - Long term finances - secured	Note	Limit (Rupees in million)	2007 Rupees	2006 Rupees
Standard Chartered Bank (Pakistan) Limited (Formerly Union Bank Limited)	6.1	144	-	19,148,330
The Bank of Khyber	6.2	100	37,500,000	62,500,000
Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)	6.3	2,800	2,800,000,000	200,000,000
Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited	6.4	840	83,928,572	-
			<u>2,921,428,572</u>	281,648,330
Less: Current maturity shown under current liabilities			<u>218,120,218</u>	44,148,330
			<u><u>2,703,308,354</u></u>	<u><u>237,500,000</u></u>

6.1 This facility was 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 6 months KIBOR with a floor of 7%. The entire facility has been settled by the Company during the year.

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. This 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 three 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. This 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 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.

6.4 This facility has been obtained to cover the cost overruns associated with the ongoing expansion project. The finance carries mark up at the rate of three months KIBOR plus 3.15%, payable quarterly in arrears. This is repayable in 20 quarterly stepped up installments after a grace period of 3 months. This facility is secured by way of first pari passu hypothecation/equitable mortgage over all present and future fixed and current assets of the Company to the extent of Rs.1,120 million.

		2007		
		Minimum lease payments	Finance cost for future	Present Value of MLP
		Rupees		
7.	Liabilities against assets subject to finance lease - secured			
	Not later than one year	-	-	-
	Later than one year but not later than five years	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
		2006		
		Minimum lease payments	Finance cost for future	Present Value of MLP
		Rupees		
	Not later than one year	35,043,684	978,900	34,064,784
	Later than one year but not later than five years	2,417,611	59,513	2,358,098
		<u>37,461,295</u>	<u>1,038,413</u>	<u>36,422,882</u>

During the year, the Company has purchased all leased assets at their residual value and the entire lease liability has been paid off.

		Note	2007 Rupees	2006 Rupees
8	Long term security deposits and retention money			
	Security deposits			
	From cement stockiest	8.1	1,876,100	5,051,100
	From cement transporters	8.2	400,000	400,000
			<u>2,276,100</u>	<u>5,451,100</u>
	Retention money	8.3	104,532,220	-
			<u>106,808,320</u>	<u>5,451,100</u>

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.

8.3 These are interest free amounts retained from the invoices/bills of the expansion project's suppliers/contractors and are repayable after one year from the commissioning of grey cement expansion project.

		Note	2007 Rupees	2006 Rupees
9	Deferred liabilities			
	Deferred taxation	9.1	147,720,403	152,712,395
	Staff retirement benefits	9.2	5,388,141	3,089,229
	Compensated absences	9.3	5,631,039	5,466,212
			<u>158,739,583</u>	<u>161,267,836</u>
	9.1 Deferred taxation			
	The liability for deferred taxation comprises of temporary differences relating to:			
	Accelerated tax depreciation		145,561,062	161,728,750
	Liabilities under finance lease that are deducted for tax purpose only when paid		-	(9,016,355)
	Unrealized gain on derivative financial asset		2,159,341	-
			<u>147,720,403</u>	<u>152,712,395</u>
	9.2 Staff retirement benefits			
	Defined benefit plan funded	9.2.1	5,388,141	3,089,229
	9.2.1 Defined benefit plan			
	Amount recognized in the balance sheet is as follows:			
	Present value of defined benefit obligation	9.2.2	32,889,501	34,855,274
	Benefits payable to outgoing members		5,219,981	422,869
	Fair value of plan assets	9.2.3	(32,007,863)	(32,330,544)
	Unrecognized actuarial (gains)/losses		(713,478)	141,630
	Liability as at 30 June		<u>5,388,141</u>	<u>3,089,229</u>
	Net liability as at 01 July		3,089,229	33,908
	Charge to profit and loss account	9.2.4	3,197,012	3,055,321
	Contribution by the Company		(898,100)	-
	Liability as at 30 June		<u>5,388,141</u>	<u>3,089,229</u>
	9.2.2 Movement in liability for defined benefit obligation			
	Present value of defined benefit obligation as at 01 July		34,855,274	33,627,423
	Current service cost		2,969,786	2,883,977
	Interest cost		3,136,975	3,026,468
	Benefit payments due, but not paid		(5,084,932)	(422,869)
	Benefits paid during the year		(3,157,985)	(1,533,153)
	Actuarial loss/(gain) on present value of defined benefit obligation		170,383	(2,726,572)
	Present value of defined benefit obligation as at 30 June		<u>32,889,501</u>	<u>34,855,274</u>

		2007		
		Minimum lease payments	Finance cost for future	Present Value of MLP
		Rupees		
7.	Liabilities against assets subject to finance lease - secured			
	Not later than one year	-	-	-
	Later than one year but not later than five years	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>
		2006		
		Minimum lease payments	Finance cost for future	Present Value of MLP
		Rupees		
	Not later than one year	35,043,684	978,900	34,064,784
	Later than one year but not later than five years	2,417,611	59,513	2,358,098
		<u>37,461,295</u>	<u>1,038,413</u>	<u>36,422,882</u>

During the year, the Company has purchased all leased assets at their residual value and the entire lease liability has been paid off.

		Note	2007 Rupees	2006 Rupees
8	Long term security deposits and retention money			
	Security deposits			
	From cement stockiest	8.1	1,876,100	5,051,100
	From cement transporters	8.2	400,000	400,000
			<u>2,276,100</u>	<u>5,451,100</u>
	Retention money	8.3	104,532,220	-
			<u>106,808,320</u>	<u>5,451,100</u>

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.

8.3 These are interest free amounts retained from the invoices/bills of the expansion project's suppliers/contractors and are repayable after one year from the commissioning of grey cement expansion project.

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.

	Note	Limit (Rupees in million)	2007 Rupees	2006 Rupees
11 Short term running finances - secured				
The Bank of Khyber	11.1	50	48,415,266	52,224,582
Standard Chartered Bank (Pakistan) Limited (Formerly Union Bank Limited)	11.2	200	47,521,926	5,172,924
KASB Bank Limited	11.3	60	50,497,229	-
			<u>146,434,421</u>	<u>57,397,506</u>

11.1 This facility has been obtained to finance the working capital requirements of the Company. The finance 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 of Rs. 153.846 million on Company's existing and future fixed assets duly registered with SECP and personal guarantees of three Directors. The facility was valid upto 31 August 2007.

11.2 This facility has been obtained to finance the working capital requirements of the Company. The finance 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 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 repayable on demand.

11.3 This facility has been obtained to finance the working capital requirements of the Company. The finance carries mark up at three months KIBOR plus 2%, payable quarterly. The facility is secured by way of ranking charge over current assets of the Company of Rs. 80 million and personal guarantee of the Chief Executive of the Company. This facility is valid upto 31 January 2008 or repayable on demand.

12 Contingencies and commitments

12.1 Contingencies

The Engineering Services International (Pakistan) Limited 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 was lodged by the Company. The case is pending with the Senior Civil Judge, Lahore. Pending an outcome, no provision has been made in the financial statements.

The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the Company, 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 Commercial Banks on behalf of the Company are of Rs. 331 million (2006: Nil) in favour of Sui Northern Gas Pipelines Limited (SNGPL) in accordance with the terms of agreement between the Company and SNGPL and Rs. 2.5 million (2006: Rs. 0.87 million) in favour of Collector Customs, Excise, Sales Tax and other government institutions for supply of cement.

	2007 Rupees	2006 Rupees
12.2 Commitments		
Capital expenditure	3,566,926	2,420,441,209
Other than capital expenditure	50,904,000	42,653,190

13 Operating fixed assets

	Cost			Depreciation			Net Book	
	As at 01 July 2006	Additions/ (deletions)	Transferred from leased assets	As at 01 July 2006	For the year	Transferred from leased assets	As at 30 June 2007	value as at 30 June 2007
	Rupees			Rupees			Rupees	
Owned:								
Freehold land	36,913,132	6,095,677 (7,837,651)	-	35,171,158	-	-	-	35,171,158
Buildings on freehold land:								
Factory buildings	297,840,772	395,324	-	166,029,735	13,193,983	-	179,223,718	119,012,378
Office and other buildings	14,286,876	-	-	9,210,614	253,813	-	9,464,427	4,822,449
Housing colony	47,863,919	244,985	-	22,608,828	1,266,838	-	23,875,666	24,233,238
Plant, machinery and equipment	1,636,913,380	34,613,209	100,000,000	894,486,752	77,182,624	33,129,438	1,004,798,814	766,727,775
Storage tanks and pipelines	17,187,050	-	-	15,573,316	161,373	-	15,734,689	1,452,361
Power installations	82,975,450	-	-	75,024,088	795,136	-	75,819,224	7,156,226
Furniture, fixtures and other office equipment	22,406,554	475,477 (83,540)	-	12,483,173	1,024,352	-	13,458,914	9,339,577
Computer and printers	5,662,228	338,908	-	3,518,063	696,680	-	4,214,743	1,786,393
Weighing scales	1,092,015	-	-	896,866	19,513	-	916,379	175,636
Vehicles	42,943,097	9,989,102 (3,424,156)	8,898,000	14,869,479	7,076,814	4,845,733	25,478,023	32,928,020
Heavy vehicles	106,107,453	-	7,250,000	92,389,728	2,611,643	3,306,000	88,619,773	13,182,237
Railway sidings	9,853,476	-	-	6,812,191	152,064	-	6,964,255	2,889,221
Laboratory equipments	20,395,140	-	-	15,251,375	514,377	-	15,765,752	4,629,388
Library books	94,217	-	-	69,790	2,443	-	72,233	21,984
	2,342,534,759	52,152,681 (22,900,790)	116,148,000	1,329,223,998	104,951,653	41,281,171	1,464,406,610	1,023,528,041
Leased								
Plant and machinery	100,000,000	-	(100,000,000)	27,707,500	5,421,938	(33,129,438)	-	-
Heavy vehicles	7,250,000	-	(7,250,000)	2,610,000	696,000	(3,306,000)	-	-
Light vehicles	8,698,000	-	(8,698,000)	4,035,280	810,453	(4,845,733)	-	-
	116,148,000	-	(116,148,000)	34,352,780	6,928,391	(41,281,171)	-	-
2007	2,458,682,759	52,152,681 (22,900,790)	-	1,363,576,778	111,880,044	-	1,464,406,610	1,023,528,041
2006	1,856,359,718	602,323,041	-	1,275,352,681	91,832,485	-	1,363,576,778	1,095,105,981

Note 2007 2006
Rupees Rupees

13.1 Depreciation charged for the year has been allocated as follows:

Cost of goods sold	24	110,752,967	90,902,352
Distribution cost	25	338,123	246,262
Administrative and general expenses	26	788,954	683,871
		<u>111,880,044</u>	<u>91,832,485</u>

13.2 Disposal of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Rupees		Profit/(loss)	Mode of disposal	Particulars of purchaser
			Book value	Sale proceeds			
Vehicles							
Hino Dump Truck	2,663,265	2,047,865	615,400	700,000	84,600	Auction	Outsiders
Hino Dump Truck	1,958,057	1,668,236	289,821	300,000	10,179	Auction	Muslim Traders, Rahim Yar Khan
Hino Dump Truck	1,959,112	1,727,134	231,978	300,000	68,022	Auction	Muslim Traders, Rahim Yar Khan
Hino Dump Truck	1,959,259	1,727,250	232,009	300,000	67,991	Auction	Muslim Traders, Rahim Yar Khan
Tractor Bilaras	261,449	251,909	9,540	20,000	10,460	Negotiation	Asghar S/o Ashraf, Okara
Suzuki Bolan	139,000	135,633	3,367	80,000	76,633	Auction	Pir Misken Shah, Kohat
Suzuki Margala	421,000	398,868	22,132	110,000	87,868	Auction	Pir Misken Shah, Kohat
Suzuki Pick-up	246,154	231,177	14,977	50,000	35,023	Auction	Fazal Amin Bada Beer, Peshawar
Land Cruiser	2,754,301	2,265,204	489,097	1,000,000	510,903	Negotiation	M. Ehsan Raza, Sheikhpura
Land Cruiser	1,309,000	269,072	1,039,928	1,309,000	269,072	Negotiation	Muhammad Arshad Khan, Rahim Yar Khan
Toyota Corolla-Altis	1,309,000	279,253	1,029,747	1,000,000	(29,747)	Insurance claim	EFU General Insurance Company
Freehold land							
Land	7,837,651	-	7,837,651	10,692,000	2,854,349	Negotiation	Pasham Electronics and others, Kohat
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50,000	83,540	48,611	34,929	-	-		Written off during the year
	<u>22,900,788</u>	<u>11,050,212</u>	<u>11,850,576</u>	<u>15,861,000</u>	<u>4,045,353</u>		

	Note	2007 Rupees	2006 Rupees
14- Capital work-in-progress			
Civil works - existing plant		31,210,294	14,587,136
Expansion project - grey cement:			
Civil works		1,252,459,161	425,279,621
Plant, machinery and equipment		2,743,893,911	109,245,962
Advances to plant suppliers		73,855,154	390,030,791
Stores held for capital expenditure		127,034,680	38,487,395
Letter of credit in process		6,278,637	6,656,471
		4,203,521,543	969,700,240
		4,234,731,837	984,287,376
15 Long term loans and advances			
Loans to employees-secured-considered good	15.1	6,307,916	5,282,908
Less: Receivable within one year	20.1	(2,876,715)	(2,717,274)
		3,431,201	2,565,634
Loan to Sui Northern Gas pipelines limited (SNGPL)	15.2	47,000,000	47,000,000
Less: Receivable within one year		(4,700,000)	-
		45,731,201	49,565,634
15.1 Reconciliation of the carrying amount of loans and advances to employees:			
Balance at the beginning of the year		5,282,908	7,717,785
Disbursements		5,204,329	1,359,052
Recovered during the year		(4,179,321)	(3,794,339)
Balance at the end of the year		6,307,916	5,282,498

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. Chief Executive, directors and executives have not taken any loan/advance from the Company (2006: Rs. Nil).

15.2 This represents a loan given to SNGPL for the development of the infrastructure for supply of natural gas to the Company. Mark up is charged at the rate of 1.5% per annum and is received annually. This amount is receivable in 10 annual installments of Rs. 4.7 million commencing from 29 March 2008.

	Note	2007 Rupees	2006 Rupees
16 Long term deposits			
Leasing companies		-	12,339,800
Less: Current portion shown under current assets	20	-	11,250,000
		-	1,089,800
Others		3,879,440	3,879,440
		<u>3,879,440</u>	<u>4,969,240</u>
17 Stores, spares and loose tools			
Stores	17.1	47,148,567	72,976,563
Spares		108,352,282	42,640,839
Loose tools		1,935,153	1,977,503
		<u>157,436,002</u>	<u>117,594,905</u>

17.1 These include stores in transit valuing Rs. Nil (2006: Rs. 990,000).

18 Stock in trade			
Raw materials		8,272,099	3,770,427
Work in process		99,308,860	62,999,016
Finished goods		12,854,882	9,478,097
Packing material		4,711,899	11,622,455
		<u>125,147,740</u>	<u>87,869,995</u>
19 Trade debts			
Considered good			
Secured		3,994,046	8,432,606
Un-secured	19.1	17,387,407	13,209,473
		<u>21,381,453</u>	<u>21,642,079</u>

19.1 This include Rs. 1.703 million (2006: Rs. 1.625 million) and Rs. 2.579 million (2006: Rs. 0.208 million) receivable from M/s Meena Bazar and M/s Auto Centre - related parties respectively.

20	Note	2007 Rupees	2006 Rupees
Advances, deposits, prepayments and other receivables			
Advances - unsecured - considered good			
Company employees	20.1	5,763,797	6,527,432
Suppliers		9,407,309	17,104,492
Contractors		26,225,237	1,320,418
Advance income tax		13,725,456	-
Input Sales tax		5,654,015	-
Letters of credit in process		2,933,527	3,982,071
Letter of credit/guarantee margin		32,261,421	3,763,809
Prepayments		891,335	1,436,479
Profit/mark-up receivable on bank deposits		1,003,864	1,773,513
Other advances and receivables - considered good		2,011,033	1,251,045
Current portion of long term deposits with leasing companies	16	-	11,250,000
Current portion of loan given to SNGPL	15.2	4,700,000	-
Rebate receivable on export sales		6,463,400	3,179,751
Derivative Financial Assets	20.2	9,032,553	-
		<u>120,072,947</u>	<u>51,589,010</u>

20.1 Advances to company's employees

Current maturity of long term loans	15	2,876,715	2,717,274
Others	20.1.1	2,887,082	3,810,158
		<u>5,763,797</u>	<u>6,527,432</u>

20.1.1 No advances were given to executives, directors and Chief Executive of the Company during the year (2006: Rs. Nil).

20.2 During the year, the Company has entered into a interest rate swap with Standard Chartered Bank (Pakistan) Limited against a long term finance from Consortium of banks led by the Standard Chartered Bank (Pakistan) Limited for a notional amount of Rs.500 million, maturing on 20 September, 2012. Under the swap arrangement the principal amount payable of Rs.500 million is swapped with US \$ component at Rs. 60.65 per US \$ making the loan amount to US \$ 8.244 million which will be exchanged at maturity of the swap agreement on 20 September, 2012. In addition to the above, the Company would receive 6 months KIBOR rate and pay 6 months LIBOR+1.25% as per the arrangements, which will be settled semi annually. As at the balance sheet date, the fair value of this interest rate and cross currency swap was Rs.9.032 million in favour of the Company. The arrangement has exposed the Company with foreign currency risk on the US \$ value at the agreement date of the principal amount of the loan.

	Note	2007 Rupees	2006 Rupees
21			
Short term investment			
Available for sale - quoted			
Gharibwal Cement Limited			
		-	6,635,656
		-	(35,656)
		<u>-</u>	<u>6,600,000</u>
22			
Cash and bank balances			
		1,150,541	1,008,332
		4,267,714	22,642,119
	22.1	126,983,688	633,235,779
		<u>132,401,943</u>	<u>656,886,230</u>

22.1 These carry mark-up @ 3.5% to 11.5% (2006: 3.5% to 10.5%) per annum.

23			
Sales			
		1,526,851,599	2,237,901,785
		199,958,199	291,929,295
		256,143,000	297,128,625
		<u>456,101,199</u>	<u>589,057,920</u>
		1,070,750,400	1,648,843,865
	23.1	523,468,843	684,709,609
		<u>1,594,219,243</u>	<u>2,333,553,474</u>
		(40,485,987)	(6,315,895)
		<u>1,553,733,256</u>	<u>2,327,237,579</u>

23.1 This amount include Rs.3.2 million (2006: Rs. 3.5 million) of export rebate.

	Note	2007 Rupees	2006 Rupees
24 Cost of goods sold			
Opening work-in-process		62,999,016	8,328,611
Raw and packing materials consumed	24.1	139,228,137	130,033,213
Power and fuel		250,826,263	244,400,775
Furnace oil and coal		543,343,397	521,812,187
Coal unloading and feeding charges		2,810,169	2,690,347
Stores and spares consumed		58,118,194	47,612,554
Salaries, wages and other benefits	24.2	129,316,493	95,024,948
Royalty and excise duty		13,854,085	16,567,998
Rent, rates and taxes		1,147,389	1,175,132
Repairs and maintenance		10,120,863	10,433,055
Transportation charges		29,350,084	25,369,197
Insurance		4,585,990	4,454,022
Depreciation	13.1	110,752,967	90,902,352
Other expenses		8,598,647	16,551,217
		1,365,051,694	1,215,355,608
Less: Closing work-in-process		(99,308,860)	(62,999,016)
Cost of goods manufactured		1,265,742,834	1,152,356,592
Opening stock of finished goods		9,478,097	4,736,861
		1,275,220,931	1,157,093,453
Closing stock of finished goods		(12,854,882)	(9,478,097)
		1,262,366,049	1,147,615,356
Less: Cost attributable to own cement consumption		(51,899,709)	(20,039,695)
		1,210,466,340	1,127,575,661
24.1 Raw and packing materials consumed			
Opening stock as at 01 July			
Raw materials		3,770,427	1,915,827
Packing materials		11,622,455	7,355,359
		15,392,882	9,271,186
Purchases			
Raw materials		32,305,359	26,585,261
Packing materials		104,513,894	109,569,648
		136,819,253	136,154,909
		152,212,135	145,426,095
Less: Closing stock as at 30 June			
Raw materials		8,272,099	3,770,427
Packing materials		4,711,899	11,622,455
		12,983,998	15,392,882
		139,228,137	130,033,213

24.2 Salaries, wages and other benefits include Rs. 2,099,435 and Rs. 2,678,194 (2006: Rs. 1,950,268 and Rs. 2,559,053) in respect of provident fund contribution and employees' gratuity fund respectively.

25	Distribution cost	Note	2007 Rupees	2006 Rupees
	Salaries, wages and other benefits	25.1	7,212,227	5,889,027
	Vehicle running		1,349,219	1,118,067
	Travelling and conveyance		780,409	292,182
	Printing and stationery		332,732	390,399
	Postage, telephone and telegrams		570,367	612,432
	Entertainment		542,798	517,420
	Rent, rates and taxes		571,696	564,680
	Electricity, water and gas		97,526	106,842
	Advertisement		520,913	1,781,525
	Depreciation	13.1	338,123	246,262
	Cement loading charges		3,124,254	2,731,483
	Sea freight charges on exports		2,430,519	906,464
	Miscellaneous		831,032	376,464
			<u>18,701,815</u>	<u>15,533,247</u>

25.1 Salaries, wages and other benefits include Rs. 114,559 and Rs. 152,109 (2006: Rs. 152,189 and Rs. 145,532) in respect of provident fund contribution and employees' gratuity fund respectively.

26 Administrative and general expenses

	Salaries, wages and other benefits	26.1	28,602,875	19,994,797
	Vehicle running		2,588,095	2,445,177
	Traveling and conveyance		950,311	2,747,235
	Printing and stationery		1,201,492	1,183,758
	Legal and professional	26.2	2,377,855	2,254,755
	Postage, telephone and telegrams		2,203,237	2,141,474
	Repairs and maintenance		727,777	891,734
	Rent, rates and taxes		3,290,062	2,747,769
	Entertainment		649,060	872,263
	Auditor's remuneration	26.3	315,000	287,500
	Depreciation	13.1	788,954	683,871
	Advertisement		735,870	772,289
	Miscellaneous		1,907,941	1,256,952
			<u>46,338,529</u>	<u>38,279,574</u>

26.1 Salaries, wages and other benefits include Rs. 368,574 and Rs.366,709 (2006: Rs. 357,404 and Rs. 350,736) 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 (2006: Rs. 35,000).

	Note	2007 Rupees	2006 Rupees
26.3 Auditor's remuneration			
Statutory audit		190,000	175,000
Half year review		82,500	82,500
Certifications		10,000	-
Out of pocket expenses		32,500	30,000
		<u>315,000</u>	<u>287,500</u>
27 Other operating expenses			
Workers' profit participation fund	10.1	3,663,646	55,368,159
Workers' welfare fund		1,501,717	10,732,120
Donations	27.1	2,475,352	5,333,692
		<u>7,640,715</u>	<u>71,433,971</u>
27.1 None of the directors of the Company or any of their spouse have any interest in donee's fund except for Rs. 1,417,505 (2006: Rs. 4,104,316) 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.			
28 Other operating income			
<i>Income from financial assets</i>			
Profit/mark-up on bank deposits		42,497,909	14,616,245
Income from sale of investment		54,944	-
<i>Income from non-financial assets</i>			
Insurance claim realized		348,815	982,000
Income from sale of scrap		5,551,029	380,012
Profit on sale of assets		4,045,353	1,411,411
Property tax payable written back	28.1	15,840,000	-
Miscellaneous		7,286,698	1,716,872
		<u>75,624,748</u>	<u>19,106,540</u>

28.1 This represents the tax levied by the district government when the current management acquired the Company from State Cement Corporation of Pakistan (Private) Limited. This liability was initially recognised based on the decision of the Civil Court. This decision was subsequently set-aside by the Honourable High Court on the appeal of the Company and Honourable High Court remanded back the case to the Civil Court. In pursuant to this decision of the Honourable High Court the Civil Court revised its decision in favour of the Company.

	Note	2007 Rupees	2006 Rupees
29 Finance cost			
Interest/mark-up on:			
Liabilities against assets subject to finance lease		1,115,007	3,825,017
Short term finances under mark up arrangements		4,001,967	2,866,383
Long term syndicated finance for expansion project		252,577,035	3,489,320
Long term finances - others		5,789,435	15,374,670
Workers' profit participation fund		2,519,002	1,838,742
Bank charges, commission and others		4,944,607	3,378,375
Advisory, arrangement, participation and agency fee		9,675,000	23,325,000
		<u>280,622,053</u>	<u>54,097,507</u>
30 Taxation			
For the year			
Current	30.1	23,932,303	192,571,359
Deferred		(7,151,333)	54,028,000
		<u>16,780,970</u>	<u>246,599,359</u>
For prior year			
Current		-	2,957,839
		<u>16,780,970</u>	<u>249,557,198</u>

30.1 Current

The Income Tax Appellate Tribunal (ITAT) while disposing of the Company's appeal against the order passed by the Taxation Officer (TO) pertaining to the assessment year 1995-96, restored the order of TO levying additional tax of Rs 10.9 million under section 89 of the Income Tax Ordinance, 1979. However, the management disputes the ITAT decision and has a reference application with the Honourable High Court, Lahore against the above order which is pending adjudication.

The ITAT while disposing of the Department's appeal against the order passed by Commissioner of Income Tax (Appeals) [CIT(A)] pertaining to the tax year 2003 has remanded the case back to the CIT(A) to adjudicate the order passed by the TO under section 122 of the Income Tax Ordinance, 2001 imposing increment tax liability of Rs. 10.7 million on account of profit and loss add backs.

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

	2007 %	2006 %
30.2 Tax charge reconciliation		
Numerical reconciliation between the applicable tax rate and the average effective tax rate:		
Applicable tax rate as per Income Tax Ordinance, 2001	35	35
Tax effect of amounts that are:		
Not deductible for tax purposes	62.44	3.30
Allowable deductions for tax purposes	(58.18)	(13.10)
Tax effect of profit attributable to presumptive income	(2.78)	(6.66)
Tax effect of prior year charge	-	0.28
Deferred tax due to change in temporary difference	(10.90)	5.19
Average effective tax rate charged to profit and loss account	<u>25.58</u>	<u>24.01</u>

		2007	2006
31 Earnings per share			
Basic Earnings per share			
Profit for the year after taxation	<i>Rupees</i>	<u>48,807,582</u>	<u>789,866,961</u>
Weighted average number of ordinary shares in issue during the year	<i>Numbers</i>	<u>101,784,380</u>	<u>101,784,380</u>
Earnings per share	<i>Rupees</i>	<u>0.48</u>	<u>7.76</u>

Number of shares in issue during the year ended June 30, 2006 has been restated for the effect of bonus 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	2007 Rupees	2006 Rupees
32 Cash and cash equivalents			
Cash and bank balances	22	132,401,943	656,886,230
Short term running finances	11	(146,434,421)	(57,397,506)
		<u>(14,032,478)</u>	<u>599,488,724</u>

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:

Contribution to provident fund	2,582,568	2,459,861
Contribution to gratuity fund	898,100	-
Sale of cement to associated companies	2,449,200	8,704,600

34 Financial assets and liabilities

	Effective interest rate %	Interest bearing			Non-interest bearing			2006 Rupees
		Maturity within one year	Maturity from one to five years	Maturity more than five years	Maturity within one year	Maturity from one to five years	Maturity more than five years	
Financial assets								
On balance sheet								
Loans and advances to employees	5	478,717	570,990	-	2,397,998	2,860,211	6,307,916	9,093,066
Long term loan to SNGPL	1.5	4,700,000	18,800,000	23,500,000	-	-	47,000,000	47,000,000
Deposits		-	-	-	-	3,879,440	3,879,440	16,219,240
Trade debts		-	-	-	21,381,453	-	21,381,453	21,642,079
Advances deposits and other receivables		-	-	-	18,510,850	-	18,510,850	6,804,309
Cash and bank balances	3.5 - 11.5	126,983,688	-	-	5,418,255	-	132,401,943	656,886,230
		132,162,405	19,370,990	23,500,000	47,708,556	6,739,651	229,481,602	757,644,924
Off balance sheet		-	-	-	-	-	-	-
		132,162,405	19,370,990	23,500,000	47,708,556	6,739,651	229,481,602	757,644,924
Financial liabilities								
On balance sheet								
Long term loans	10 - 12.74	218,120,218	2,528,308,354	175,000,000	-	-	2,921,428,572	281,648,330
Liabilities against assets subject to finance lease	7.75 - 13.38	-	-	-	-	-	-	36,422,882
Earned leaves	-	-	-	-	-	5,631,039	5,631,039	5,466,212
Deposits and retention money	-	-	-	-	19,452,809	106,808,320	126,261,129	14,202,904
Short term borrowings	7 - 13	146,434,421	-	-	-	-	146,434,421	57,397,506
Interest on secured loans	-	-	-	-	12,260,606	-	12,260,606	1,973,886
Creditors accrued other liabilities	-	-	-	-	95,181,412	-	95,181,412	88,752,370
		364,554,639	2,528,308,354	175,000,000	126,894,827	112,439,359	3,307,197,179	485,863,890
Off balance sheet		-	-	-	-	-	-	-
Commitments	-	-	-	-	423,470,926	-	423,470,926	2,463,094,399
Guarantees	-	-	-	-	333,500,000	-	333,500,000	870,000
		364,554,639	2,528,308,354	175,000,000	863,865,753	112,439,359	4,064,168,105	2,949,828,289

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. Part of the variable rate Rupee loan is hedged against interest rate and cross currency swap risk by instituting interest rate swap arrangements. This protects the Company against any adverse movement in interest rates. Financial liabilities include balance of Rs 2,804 million (2006:Rs 339 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	
	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Managerial remuneration	-	-	800,000	320,000	1,200,000	640,000
Rent and utilities allowance	-	-	400,000	160,000	600,000	320,000
Medical reimbursement	-	820,736	1,311,460	14,256	-	-
Other reimbursable expenses	-	-	-	329,050	-	501,541
	-	820,736	2,511,460	823,306	1,800,000	1,461,541
Number of persons	1	1	1	1	2	2

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

36 Capacity and production

	Plant Capacity		Actual Production	
	2007	2006	2007	2006
Clinker				
Grey (M Tons)	540,000	540,000	506,040	554,300
White (M Tons)	135,000	135,000	22,955	15,573
Cement				
Grey (M Tons)	567,000	567,000	528,990	554,560
White (M Tons)	141,750	141,750	22,192	15,246

Under capacity utilization of both cement plants 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 25 September 2007 by the board of directors of the Company.

38 Corresponding figures

Loan amounting to Rs. 47 million given to SNGPL was previously included in Advances, deposits, prepayments and other receivables, have now been reclassified in Long term loans and advances (note 15).

39 Post balance sheet events

The Board of Directors at their meeting held on 25 September 2007 have proposed a stock dividend @ 15% i.e. 1.5 (one & half) share for every 10 shares held for the year ended 30 June 2007 for approval of the members at the Annual General Meeting to be held on 24 October 2007. These financial statements do not reflect the proposed stock dividend.

40 General

Figures have been rounded off to nearest rupees.



CHIEF EXECUTIVE

Lahore: September 25, 2007



DIRECTOR

KEY FINANCIAL DATA FOR LAST 9 YEARS

	2007	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	540
- White	135	135	-	-	-	-	-	-	-
Cement:									
- Grey	567	567	567	567	567	567	567	567	567
- White	142	142	-	-	-	-	-	-	-
Production:									
Clinker:									
- Grey	506	554	531	498	389	371	291	347	329
- White	23	16	-	-	-	-	-	-	-
Cement:									
- Grey	529	555	562	531	433	367	326	374	339
- White	22	15	-	-	-	-	-	-	-
Dispatches - cement:									
- Grey	524	557	560	535	437	361	332	374	339
- White	23	14	-	-	-	-	-	-	-
Financial data (Rs. 000):									
Turnover	1,553,733	2,327,238	1,715,427	1,397,871	949,200	964,831	835,607	1,021,861	732,825
Gross profit	343,267	1,199,662	664,223	495,537	89,145	274,650	141,820	332,045	141,940
Operating profit	278,226	1,145,849	615,203	450,927	19,894	234,792	94,644	303,935	115,475
Profit before tax & interest	346,210	1,093,522	584,153	419,649	38,098	217,698	86,962	290,440	114,092
Profit before tax	65,588	1,039,424	560,949	395,274	23,970	210,647	74,566	249,179	58,281
Profit after tax	48,807	789,867	386,501	292,657	16,550	108,420	55,205	150,567	22,617
BALANCE SHEET (Rs. 000)									
Shareholders equity	2,339,656	2,283,940	1,081,732	695,231	501,274	517,624	485,971	474,632	384,382
Fixed capital expenditure	5,258,259	2,079,393	1,119,880	905,470	839,898	592,317	608,743	661,898	714,766
Net current assets/(liabilities)	642	556,588	164,551	67,535	(36,036)	52,861	(8,162)	(56,450)	(170,418)
Long term liabilities	2,810,116	245,309	119,242	191,176	192,933	2,439	6,362	17,864	139,594
Deferred liabilities	158,740	161,268	104,240	105,590	133,777	144,540	111,828	116,595	44,125
RATIO ANALYSIS									
Gross profit ratio %	22.09	51.55	38.72	35.45	9.39	28.47	16.97	32.49	19.37
Profit before tax ratio %	4.22	44.66	32.70	28.28	2.53	21.83	8.92	24.38	7.95
Profit after tax ratio %	3.14	33.94	22.53	20.94	1.74	11.24	6.61	14.73	3.09
Operating fixed assets turnover ratio %	151.80	269.01	295.25	231.81	145.58	164.73	137.78	154.87	102.53
Return on capital employed %	6.52	40.64	44.76	42.30	4.60	32.76	14.39	47.68	20.08
Debt : equity ratio	55 : 45	10 : 90	10 : 90	22 : 78	28 : 72	0 : 100	1 : 99	4 : 96	27 : 73
Current ratio	1.00	2.44	1.47	1.16	0.89	1.15	0.96	0.79	0.57
Interest coverage ratio	1.23	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.)									
	22.99	24.68	21.92	21.13	22.85	23.60	22.16	21.64	17.53
EARNING PER SHARE (Rs.)									
	0.48	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	15	10	50	50	50	-	-	-	-

Pattern of Shareholding as at 30 June 2007

No. of Shareholders	Shareholdings		No. of Shares Held
	From	To	
383	1	100	20,819
697	101	500	212,475
873	501	1,000	688,826
704	1,001	5,000	1,653,786
134	5,001	10,000	987,632
48	10,001	15,000	565,704
23	15,001	20,000	408,653
26	20,001	25,000	603,664
15	25,001	30,000	417,072
9	30,001	35,000	301,265
1	35,001	40,000	36,300
5	40,001	45,000	214,917
3	45,001	50,000	142,329
3	50,001	55,000	161,900
2	55,001	60,000	115,587
1	65,001	70,000	65,450
1	75,001	80,000	77,048
6	95,001	100,000	593,731
4	100,001	105,000	414,237
1	105,001	110,000	110,000
1	115,001	120,000	116,000
1	125,001	130,000	129,200
1	130,001	135,000	132,550
2	140,001	145,000	285,492
1	150,001	155,000	151,535
5	160,001	165,000	821,649
1	180,001	185,000	184,650
1	185,001	190,000	187,800
1	190,001	195,000	194,074
1	195,001	200,000	199,914
2	225,001	230,000	453,493
1	270,001	275,000	271,968
1	275,001	280,000	276,400
1	280,001	285,000	280,500
1	320,001	325,000	323,000
1	325,001	330,000	325,377
1	475,001	480,000	476,000
3	495,001	500,000	1,500,000
1	580,001	585,000	582,300
1	640,001	645,000	641,000
1	660,001	665,001	664,125
1	730,001	735,000	733,827
1	850,001	855,000	850,780
1	920,001	925,000	922,323
1	925,001	930,000	928,125
1	985,001	990,000	989,200
1	1,135,001	1,140,000	1,136,368
1	1,350,001	1,355,000	1,352,139
1	1,380,001	1,385,000	1,385,000
1	1,495,001	1,500,000	1,498,904
4	1,875,001	1,880,000	7,504,017
1	5,050,001	5,055,000	5,051,000
1	5,410,001	5,415,000	5,413,563
1	5,500,001	5,505,000	5,503,030
1	10,605,001	10,610,000	10,609,349
1	20,470,001	20,475,000	20,473,362
1	21,440,001	21,445,000	21,444,971
2987			101,784,380

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their Spouse and Minor Children	68,354,079	67.16%
Associated Companies, Undertakings & Related parties	27,225	0.03%
NIT AND ICP	396,015	0.39%
Banks, Development Finance Institution, and Non-Banking Finance Institutions	3,615,565	3.55%
Modarbas and Mutual funds	2,481,312	2.44%
Insurance Companies	25,137	0.02%
Share holders holding 10%	52,527,752	51.61%
General Public		
a) Local	19,592,483	19.25%
b) Foreign	-	-
Others		
i) Kohat Cement Educational Trust	77,048	0.08%
ii) Packages Limited Mgt staff Pension fund	11,343	0.01%
iii) Joint Stock Companies	6,470,346	6.36%
iv) Kccl Employees Trust	733,827	0.72%



CHIEF EXECUTIVE

Lahore: 25 September 2007

Pattern of Shareholding as at 30 June 2007
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	27,225
Tariq Motors (Private) Limited	1	27,225
II NIT AND ICP	2	396,015
National Bank of Pakistan-Trustee department	1	393,988
Investment Corporation of Pakistan	1	2,027
III Directors, Chief executive Officer, their Spouses and Minor Children	9	68,354,079
Directors	7	61,804,148
Mrs. Khawer Sultana	1	922,323
Mr. Aizaz Mansoor Sheikh	1	20,473,362
Mr. Nadeem Atta Sheikh	1	21,444,971
Mr. Tariq Atta Sheikh	1	10,609,419
Mrs. Ghazala Amjad	1	5,503,030
Mr. Omer Aizaz Sheikh	1	1,352,139
Mrs. Hafsa Nadeem Sheikh	1	1,498,904
Directors' Spouses	2	6,549,931
Mrs. Hijab Tariq W/o Mr. Tariq Atta Sheikh	1	1,136,368
Mr. Capt. Amjad Latif Sheikh H/O Ghazala Amjad	1	5,413,563
IV Executives	-	NIL
V Public Sector Companies and Corporations	-	NIL
VI Banks, Development Finance Institution, Non-Banking Finance Institutions, Insurance Companies, Modarbas and Mutual Funds	22	6,122,014
VII Shareholders Holding Ten Percent or More Voting Interests	3	52,527,752
Mr. Aizaz Mansoor Sheikh	1	20,473,362
Mr. Nadeem Atta Sheikh	1	21,444,971
Mr. Tariq Atta Sheikh	1	10,609,419



CHIEF EXECUTIVE

KOHAT CEMENT COMPANY LIMITED
FORM OF PROXY
28th Annual General Meeting

I/We _____
of _____ being a member of
Kohat Cement Company Limited and holder of _____ (No. of shares) Ordinary shares as per
Share Register Folio No. _____ and/or CDC Participant I.D. No. _____ and
Sub Account No. _____ hereby appoint _____
of _____ another member of the company (or failing
him _____ of _____)
as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on
Wednesday, 24 October 2007 at 11:00 A.M. at the registered office of the company **Kohat Cement Factory, Rawalpindi Road,**
Kohat and at any adjournment thereof.

Signed this _____ day of _____ 2007.

Signature:

Please
affix
Rupees five
revenue stamp

Witnesses:

<p>1. Signature: _____ Name _____ Address: _____ _____ NIC or _____ Passport No. _____</p>	<p>2. Signature: _____ Name _____ Address: _____ _____ NIC or _____ Passport No. _____</p>
---	---

Note:

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

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AFFIX
CORRECT
POSTAGE

The Company Secretary,

Kohat Cement Company Limited,
Rawalpindi Road, Kohat.
Tel: 0922-560-401-4
Fax: 0922-560-405

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