



WHERE **STRENGTH** MEETS SUBSTANCE



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CORPORATE INFORMATION

Board of Directors

Chief Executive

Mr. Aizaz Mansoor Sheikh

Executive Director

Mr. Nadeem Atta Sheikh

Independent Director

Mr. M. Atta Tanseer Sheikh

Non-Executive Directors

Mrs. Shahnaz Aizaz

Mrs. Hijab Tariq

Mrs. Hafsa Nadeem

Mr. Muhammad Rehman Sheikh

Audit Committee

Mr. M. Atta Tanseer Sheikh

Chairman

Mrs. Shahnaz Aizaz

Mr. Muhammad Rehman Sheikh

HR&R Committee

Mr. Muhammad Rehman Sheikh

Chairman

Mr. Aizaz Mansoor Sheikh

Mr. M. Atta Tanseer Sheikh

Company Secretary

Mr. Khurram Shahzad, FCA

Legal Advisor

Qazi Waheed-ud-Din

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrar

Hameed Majeed Associates (PVT)
Limited

H.M. House, 7-Bank Square, Lahore

Tel: (042) 37235081-82

Fax: (042) 37358817

Registered Office and Works

Kohat Cement Company Limited

Rawalpindi Road, Kohat.

Tel: (0922) 560990

Fax: (0922) 560405

Email: finance@kohatcement.com

Head Office

37- P Gulberg - II, Lahore.

Tel: (042) 11 111 5225

Fax: (042) 3575 4990

Email: mis@kohatcement.com

Bankers of the Company

Standard Chartered Bank (Pak) Ltd

The Bank of Khyber

Askari Bank Limited

Soneri Bank Limited

National Bank of Pakistan

KASB Bank Limited

The Bank of Punjab

Bank Alfalah Limited

MCB Bank Limited

Allied Bank Limited

United Bank Limited

DIRECTORS' REVIEW

The Directors of Kohat Cement Company Limited take pleasure in presenting the quarterly report together with the un-audited condensed interim financial statements of the Company for the 1st quarter ended September 30, 2013.

Market Review

During the first quarter of FY 2013-14 local dispatches of cement sector have increased by 2.17% while exports have declined by 1.40% compared to the corresponding period of last year. Overall growth in sales volume for the period has been recorded at 1.12%.

Production and Sales Volumes

By the grace of Almighty Allah, your Company has shown an overall growth of 15.4% in sales volume by dispatching 409,121 (2012: 354,470) metric tons during the 1st quarter of current financial year. New grey cement line produced 328,874 (2012: 343,310) metric tons clinker whereas the old grey cement line remained non-operational due to overcapacity in the cement sector.

Financial performance

Comparison of un-audited results for the quarter ended September 30, 2013 against the quarter ended September 30, 2012 is as follows:

	Sep. 30, 2013 (Rupees)	Sep. 30, 2012 (Rupees)
Net sales revenue	2,643,559,506	2,103,514,269
Cost of sales	1,636,444,260	1,377,052,396
Admin & selling expenses	38,613,388	34,737,217
Other expenses	62,866,527	31,006,180
Other income	16,496,096	2,007,562
Finance costs	43,727,174	84,797,948
Taxation	262,623,372	101,816,416
Profit after taxation	615,780,881	476,111,674
Earnings per share	4.78	3.70

Growth in sales volumes coupled with better cement prices and lower financial costs have helped the Company in posting an after tax profit of Rs. 615.781 million as compared to after tax profit of Rs. 476.112 million in corresponding period of last year.

Company is current on all its debt obligations.

Future outlook

Stable cement prices, expected Government spending on various infrastructure projects and cost effective production methods are expected to further enhance the profitability of the Company in future.

Acknowledgments

The Board wishes to thank all its stakeholders for their continuous support and appreciates the efforts, devotion and contribution of all its employees in optimizing the operations of the company.

For and on behalf of the Board



Aizaz Mansoor Sheikh
Chief Executive

Lahore: October 26, 2013

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at September 30, 2013

	Note	(Un-audited) Sep 30, 2013 Rupees	(Audited) June 30, 2013 Rupees
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised share capital		1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital	4	1,287,572,410	1,287,572,410
Reserves		183,965,329	160,768,658
Accumulated profit		5,208,487,808	4,592,706,927
		6,680,025,547	6,041,047,995
LIABILITIES			
Non-current liabilities			
Long term finances - secured	5	324,800,000	380,300,000
Long term security deposits		2,061,100	2,061,100
Deferred liabilities	6	1,996,808,182	2,076,954,086
		2,323,669,282	2,459,315,186
Current liabilities			
Trade and other payables		1,436,627,117	1,122,362,342
Interest and mark up accrued		151,418,912	87,864,322
Short term borrowings - secured		498,000,000	501,461,206
Current portion of non-current liabilities	5	486,899,965	582,539,087
Provision for income tax		171,305,037	—
		2,744,251,031	2,294,226,957
Contingencies and commitments	7	—	—
		11,747,945,860	10,794,590,138

	Note	(Un-audited) Sep 30, 2013 Rupees	(Audited) June 30, 2013 Rupees
ASSETS			
Non current assets			
Property, plant and equipment			
Operating fixed assets	8	6,432,626,851	6,507,331,967
Capital work-in-progress		111,173,131	103,010,383
		6,543,799,982	6,610,342,350
Intangible assets		1,269,691	1,439,808
Long term loans and advances		15,948,313	15,412,759
Long term deposits		41,266,640	41,229,640
		6,602,284,626	6,668,424,557
Current assets			
Stores, spares and loose tools	9	1,461,373,541	980,005,389
Stock in trade		646,893,383	737,325,759
Trade debts - unsecured considered good		18,331,517	12,606,242
Short term investments	10	1,831,714,320	1,363,517,650
Advances, deposits, prepayments and other receivables		405,857,603	408,552,627
Cash and bank balances		781,490,870	624,157,914
		5,145,661,234	4,126,165,581
		11,747,945,860	10,794,590,138

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the quarter ended September 30, 2013

	Note	July 1 - Sep 30 2013 Rupees	July 1 - Sep 30 2012 Rupees
Sales - net	11	2,643,559,506	2,103,514,269
Cost of goods sold	12	1,636,444,260	1,377,052,396
Gross profit		1,007,115,246	726,461,873
Selling and distribution expenses		14,352,989	12,395,078
Administrative and general expenses		24,260,399	22,342,139
		38,613,388	34,737,217
Operating profit		968,501,858	691,724,656
Other operating expenses	13	62,866,527	31,006,180
		905,635,331	660,718,476
Other income		16,496,096	2,007,562
		922,131,427	662,726,038
Finance cost		43,727,174	84,797,948
Profit before taxation		878,404,253	577,928,090
Taxation	14	262,623,372	101,816,416
Profit after taxation		615,780,881	476,111,674
Earnings per share (basic and diluted)		4.78	3.70

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the quarter ended September 30, 2013

	July 1 - Sep 30 2013 Rupees	July 1 - Sep 30 2012 Rupees
Profit after taxation	615,780,881	476,111,674
Other Comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Available for sale financial assets		
Surplus on remeasurement of investments classified as 'available-for-sale' to fair value	23,196,671	2,760,000
Total comprehensive income for the period	638,977,552	478,871,674

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(UN-AUDITED)

For the quarter ended September 30, 2013

	Share capital	Share premium	Fair Value Reserve	General reserve	Accumulated profit	Total
	Rupees					
Balance as at 30 June 2012 - audited	1,287,572,410	49,704,951	2,831,900	70,000,000	2,346,346,095	3,756,455,356
Total comprehensive income for the quarter ended September 30, 2012	–	–	2,760,000	–	476,111,674	478,871,674
Balance as at September 30, 2012 - unaudited	1,287,572,410	49,704,951	5,591,900	70,000,000	2,822,457,769	4,235,327,030
Balance as at 30 June 2013 - audited	1,287,572,410	49,704,951	41,063,707	70,000,000	4,592,706,927	6,041,047,995
Total comprehensive income for the quarter ended Sep 30, 2013	–	–	23,196,671	–	615,780,881	638,977,552
Balance as at Sep 30, 2013 - unaudited	1,287,572,410	49,704,951	64,260,378	70,000,000	5,208,487,808	6,680,025,547

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM CASH FLOW STATMENT (UN-AUDITED)

For the quarter ended September 30, 2013

Note	July 1 - Sep 30 2013 Rupees	July 1 - Sep 30 2012 Rupees
Cash flow from operating activities		
Profit before taxation	878,404,253	577,928,090
Adjustments for non-cash expenses and other items:		
Depreciation on property, plant and equipment	83,307,743	83,200,736
Amortization on intangible assets	170,118	235,114
Profit on sale of property, plant and equipment	(331,650)	(775,609)
Profit/mark-up on bank deposits	(15,098,372)	(909,213)
Compensated absences	402,729	602,676
Exchange fluctuation (gain)/loss	—	314,034
Finance cost	43,727,174	84,797,948
	112,177,742	167,465,686
	990,581,995	745,393,776
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(481,368,152)	256,512,815
Stock in trade	90,432,376	(144,463,008)
Trade debts	(5,725,275)	(1,639,533)
Advances, deposits, prepayments and other receivables	(44,099,798)	32,080,119
Increase/(decrease) in current liabilities		
Trade and other payables	311,337,233	(294,587,399)
	(129,423,616)	(152,097,006)
	861,158,379	593,296,770
Finance cost paid	(67,905,652)	(91,754,483)
Compensated absences paid	(959,013)	(573,705)
Income tax paid	(35,429,944)	(27,926,096)
Net cash inflow from operating activities	756,863,770	473,042,486
Cash flow from investing activities		
Fixed capital expenditure	(15,985,728)	(17,306,779)
Sale proceeds of property, plant and equipment	357,000	909,470
Profit on bank deposits	15,562,257	909,213
Purchase of short term investments - net	(595,000,000)	—
Decrease/(increase) in long term loans and advances	172,985	(21,829)
Decrease in long term deposits	(37,000)	(4,000,000)
Net cash used in investing activities	(594,930,486)	(19,509,925)
Cash flow from financing activities		
Repayments of long term finances	(151,139,122)	(88,971,875)
Net cash used in financing activities	(151,139,122)	(88,971,875)
Net increase in cash and cash equivalents	10,794,162	364,560,686
Cash and cash equivalents - at the beginning of the period	1,020,696,708	(434,751,873)
Cash and cash equivalents - at the end of the period	15 1,031,490,870	(70,191,187)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2013

1 Status and nature of business

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

2 Basis of preparation

2.1 These condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These are being presented to the shareholders as required by section 245 of the Ordinance.

2.2 These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2013. Comparative condensed interim balance sheet is extracted from annual audited financial statements as of 30th June 2013 whereas comparative condensed interim profit & loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement are extracted from un-audited condensed interim financial statements of the Company for the quarter ended September 30, 2012.

3 Statement of consistency in accounting policies

The accounting policies, significant judgements made in the application of accounting policies, key source of estimations and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in preparation of financial statements of the Company for the year ended June 30, 2013.

4 Share Capital

Subsequent to the balance sheet date, six out of seven directors of the Company and their family members (the Sponsors) transferred their 70,822,000 ordinary shares in aggregate (comprising 55% of total paid-up share capital of the Company) to M/S ANS Capital (Pvt) Limited (the holding company), a company wholly owned and controlled by the Sponsors, thus forming a group comprising ANS Capital as the holding company and the Company as its subsidiary. Necessary approvals from Securities and Exchange Commission of Pakistan have been obtained for formation of group and for its designation for group tax relief under section 59B of the Income Tax Ordinance, 2001.

	(Un-audited) Sep 30, 2013 Rupees	(Audited) June 30, 2013 Rupees
5 Long term finances - Secured		
Redeemable capital - Sukuk Certificates	276,099,965	378,939,087
Syndicated Term Finance	535,600,000	583,900,000
	811,699,965	962,839,087
Less: Current maturity shown under current liabilities	486,899,965	582,539,087
	324,800,000	380,300,000

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2013

		(Un-audited) Sep 30, 2013	(Audited) June 30, 2013
	Note	Rupees	Rupees
6	Deferred Liabilities		
	Compensated absences	6,138,478	6,694,762
	Deferred taxation	1,265,434,615	1,255,403,212
	Deferred mark-up	725,235,089	814,856,112
		1,996,808,182	2,076,954,086
6.1	Deferred mark-up on:		
	Sukuk Certificates	593,907,854	665,028,877
	Syndicated Term Finance	131,327,235	149,827,235
		725,235,089	814,856,112

7 Contingencies and commitments

7.1 Contingencies

The Additional Commissioner Inland Revenue (ACIR) amended the assessment U/S 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2007 and created a demand of Rs. 33.6 million after making various additions to the income of the Company and by changing the basis of apportionment of expenses between normal and export sales. The treatment meted out by the ACIR was challenged by the Company through filing of appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)], who gave partial relief to the Company by deleting some additions to arrive at a revised tax demand of Rs. 18.1 million. However, the company has filed an appeal before the Appellate Tribunal Inland Revenue against the order of the CIR(A), wherein the company expects a favourable outcome.

Other than the above mentioned matter, there is no material change in the contingent liabilities of the company since the last annual balance sheet date.

		(Un-audited) Sep 30, 2013	(Audited) June 30, 2013
		Rupees	Rupees
7.2	Commitments in respect of letters of credit for:		
	Capital expenditure	122,293,620	120,021,610
	Other than capital expenditure	96,721,525	122,370,775
		219,015,145	242,392,385

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2013

	(Un-audited) Sep 30, 2013 Rupees	(Audited) June 30, 2013 Rupees
8 Property, plant and equipment		
Opening written down value	6,507,331,967	6,789,893,194
Additions (Cost)		
Factory building - adjustment	—	(455,391)
Freehold land	—	7,338,200
Plant, machinery and equipment	—	46,637,717
Furniture, fixtures and office equipment	532,490	1,828,882
Computers and printers	714,228	2,271,409
Power installations	508,547	
Light vehicles	6,868,500	11,772,700
Weighing Scales	4,212	16,500
Laboratory equipment	—	22,894,886
	8,627,977	92,304,903
Disposals (Net book value)		
Computers and printers	—	(94,749)
Light vehicles	(25,350)	(691,959)
Heavy vehicles	—	(102,067)
	(25,350)	(888,775)
Depreciation charge for the period	(83,307,743)	(373,977,355)
Closing written down value	6,432,626,851	6,507,331,967

9 Stores, spares and loose tools

These include store in transit amounting to Rs. 621.716 million (June 30, 2013: Rs. 307.91 million).

	(Un-audited) Sep 30, 2013 Rupees	(Audited) June 30, 2013 Rupees
10 Short term investments		
<i>Available-for-sale</i>		
Equity securities of listed company	47,840,000	50,370,000
Investment in money market mutual funds	1,533,874,320	913,147,650
<i>Loans and receivables</i>		
Investment in term deposit receipts	250,000,000	400,000,000
	1,831,714,320	1,363,517,650

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2013

	(Un-audited) July 1 - Sep 30 2013 Rupees	(Un-audited) July 1 - Sep 30 2012 Rupees
11 Sales - net		
Local sales - gross	2,769,058,373	2,019,419,328
Less: Sales tax	468,288,684	278,555,014
Federal Excise duty	129,377,000	108,018,600
	597,665,684	386,573,614
	2,171,392,689	1,632,845,714
Export sales	517,907,792	494,108,207
	2,689,300,481	2,126,953,921
Less: Rebate/ commission on cement sales	(45,740,975)	(23,439,652)
	2,643,559,506	2,103,514,269

	(Un-audited) July 1 - Sep 30 2013 Rupees	(Un-audited) July 1 - Sep 30 2012 Rupees
12 Cost of goods sold		
Raw materials consumed	97,207,569	107,014,106
Packing materials consumed	158,740,301	118,602,418
Power and fuel	354,157,129	331,720,787
Coal and gas	728,867,689	732,779,132
Coal unloading and feeding charges	758,119	533,252
Stores and spares consumed	36,126,618	51,363,921
Salaries, wages and other benefits	45,625,805	42,104,150
Royalty and excise duty	16,628,106	18,965,892
Rent, rates and taxes	3,218,025	7,007,426
Repairs and maintenance	11,113,756	19,834,133
Insurance	3,815,604	2,472,588
Depreciation	82,813,621	82,642,783
Other expenses	19,075,291	10,776,704
	1,558,147,633	1,525,817,292
Opening work-in-process	497,146,264	387,191,896
Closing work-in-process	(431,564,116)	(420,829,594)
	1,623,729,781	1,492,179,594
Cost of goods manufactured	1,623,729,781	1,492,179,594
Opening stock of finished goods	147,072,009	31,499,616
	1,770,801,790	1,523,679,210
Closing stock of finished goods	(134,304,800)	(146,609,474)
	1,636,496,990	1,377,069,736
Less: Cost attributable to own cement consumption	(52,730)	(17,340)
	1,636,444,260	1,377,052,396

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2013

	(Un-audited) July 1 - Sep 30 2013 Rupees	(Un-audited) July 1 - Sep 30 2012 Rupees
13 Other operating expenses		
Donations	1,000,000	274,878
Exchange fluctuation loss - net	—	314,034
Workers' profit participation fund	47,013,539	30,417,268
Workers' Welfare Fund	14,852,988	—
	62,866,527	31,006,180

13.1 None of the Directors of the Company or any of their spouse have any interest in donee's fund.

	(Un-audited) July 1 - Sep 30 2013 Rupees	(Un-audited) July 1 - Sep 30 2012 Rupees
14 Taxation		
Current	252,591,969	13,116,783
Deferred	10,031,403	88,699,633
	262,623,372	101,816,416

	(Un-audited) Sep 30, 2013 Rupees	(Un-audited) Sep 30, 2012 Rupees
15 Cash and cash equivalents		
Cash and bank balances	781,490,870	129,256,988
Term Deposit Receipts	250,000,000	—
Short term running finances	—	(199,448,175)
	1,031,490,870	(70,191,187)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2013

16 Transactions with related parties

The related parties comprise associated companies, Directors of the company, key management staff and staff retirement funds. Significant transactions with related parties during the quarter are as follows:

	(Un-audited) July 1 - Sep 30 2013 Rupees	(Un-audited) July 1 - Sep 30 2012 Rupees
Contribution to provident fund	1,477,632	1,238,525
Contribution to Kohat Cement Co. Ltd. Education Trust	272,886	284,151
Palace Enterprises (Pvt.) Limited (services received)	51,795	186,715
Remuneration including benefits and perquisites of:		
- Chief Executive and Executive Directors [No. of persons 1 and 1 (2012: 2) respectively]	6,888,500	7,441,560
- Other Executives of the Company [No. of persons 12 (2012: 10)]	8,526,942	6,646,285

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

17 Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 26, 2013.

18 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangement have been made.



Chief Executive



Director

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