



*Sailing
Smoothly*

QUARTERLY
REPORT

2014-15

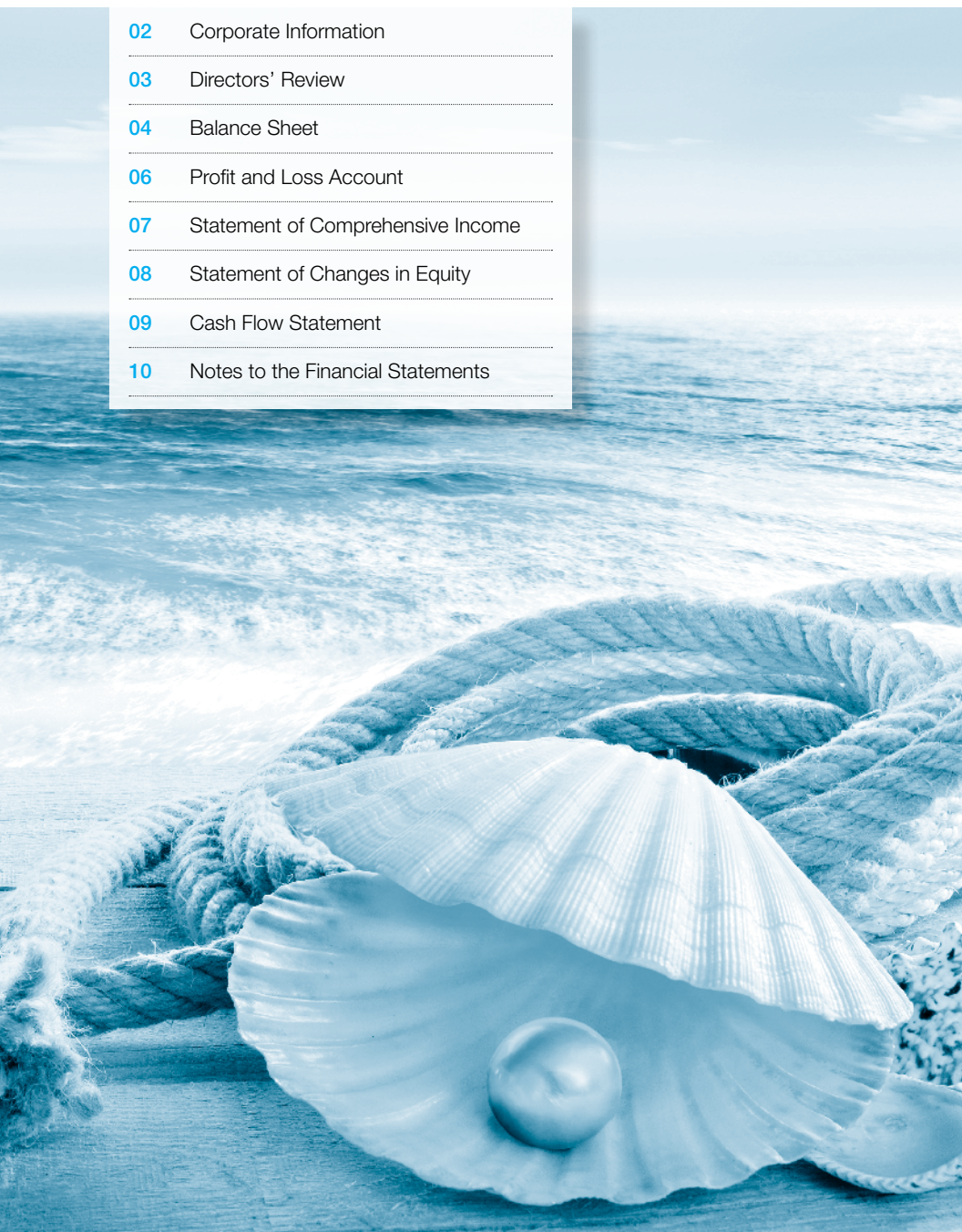


1st Quarter Report (Un-Audited) of
Kohat Cement Company Limited - September 30, 2014



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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. Hijab Tariq

Mrs. Hafsa Nadeem

Ms. Aminah Aizaz Shiekh

Mr. Muhammad Rehman Sheikh

Audit Committee

Mr. M. Atta Tanseer Sheikh

Chairman

Ms. Aminah Aizaz Shiekh

Mr. Muhammad Rehman Sheikh

HR&R Committee

Mr. Muhammad Rehman Sheikh

Chairman

Mr. Aizaz Mansoor Sheikh

Mr. M. Atta Tanseer Sheikh

Company Secretary

Mr. Khurram Shahzad, FCA

Legal Advisor

Imtiaz Siddiqui & Associates

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrar

Hameed Majeed Associates (PVT) Limited

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

Tel: (042) 37235081-82

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Registered Office and Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.

Tel: (0922) 560990

Fax: (0922) 560405

Email: finance@kohatcement.com

Head Office

37- P Gulberg - II, Lahore.

Tel: (042) 11 111 5225

Fax: (042) 3575 4990

Email: mis@kohatcement.com

Bankers of the Company

Standard Chartered Bank (Pak) Ltd

Askari Bank Limited

The Bank of Punjab

The Bank of Khyber

Soneri Bank Limited

Allied Bank Limited

United Bank Limited

MCB Bank Limited

National Bank of Pakistan

Habib Bank Limited

Bank Alfalah Limited

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, 2014.

Market Review

During the first quarter of FY 2014-15 local dispatches of cement sector have increased by 9.85% while exports have declined by 8.13% compared to the corresponding period of last year. Overall growth in sales volume for the period has been recorded at 4.68%.

Production and Sales Volumes

By the grace of Almighty Allah, your Company has shown an overall increase of 23.65% in clinker production and 5.27% in sales volume as detailed below:

	M Tons	
	Sep. 30, 2014	Sep. 30, 2013
Clinker Production	406,669	328,874
Cement Dispatches	430,684	409,121

Clinker was produced through new grey cement line as 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, 2014 against September 30, 2013 is as follows:

	Sep. 30, 2014 (Rupees)	Sep. 30, 2013 (Rupees)
Net sales revenue	2,925,089,593	2,643,559,506
Gross Profit	1,038,346,303	1,007,115,246
Admin & selling expenses	(44,847,150)	(38,613,388)
Other expenses	(68,592,997)	(62,866,527)
Other income	39,228,625	16,496,096
Finance costs	(26,289,106)	(43,727,174)
Taxation	(254,979,560)	(262,623,372)
Profit after taxation	682,866,115	615,780,881
Earnings per share	4.42	3.99

Increase in cost of sales of your Company is mainly due to revised electricity tariff in April 2014 whereby the electricity price has been increased by more than 50%. However, your Company is in the process of installation of 15MW Waste Heat Recovery Power Plant (WHRPP) which shall mitigate the said decline in the profitability of your Company. WHRPP is expected to be completed by 30 June 2015.

Company is current on its all debt obligations.

Future outlook

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

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 27, 2014

Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2014

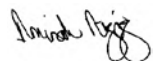
	Note	(Un-audited) Sep 30, 2014 Rupees	(Audited) June 30, 2014 Rupees
EQUITY & LIABILITIES			
Authorized share capital		3,000,000,000	3,000,000,000
Issued, subscribed and paid up capital		1,545,086,900	1,545,086,900
Reserves		258,963,846	196,147,652
Accumulated profit		7,529,098,860	6,846,232,745
		9,333,149,606	8,587,467,297
Non-current liabilities			
Long term finances - secured	4	82,800,000	146,500,000
Long term security deposits		2,061,100	2,061,100
Deferred liabilities			
- deferred taxation		1,271,525,828	1,284,110,198
- compensated absences		6,557,030	6,858,093
- deferred mark-up on long term finances		317,755,374	428,924,206
		1,680,699,332	1,868,453,597
Current liabilities			
Trade and other payables	5	2,087,941,785	1,837,976,548
Interest and mark up accrued		402,794,794	398,980,489
Short term borrowings - secured		398,000,000	498,000,000
Current maturity of non-current liabilities	4	242,000,000	233,800,000
Provision for income tax		888,320,476	726,779,510
		4,019,057,055	3,695,536,547
Contingencies and commitments			
	6	–	–
		15,032,905,993	14,151,457,441

	Note	(Un-audited) Sep 30, 2014 Rupees	(Audited) June 30, 2014 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	7	7,068,724,639	7,109,295,417
Investment Property	8	234,524,813	–
Intangible assets		771,219	885,387
Long term loans and advances		10,113,978	10,260,442
Long term deposits		41,266,640	41,266,640
		7,355,401,289	7,161,707,886
Current assets			
Stores, spares and loose tools	9	1,272,728,047	1,010,962,696
Stock in trade		569,490,030	469,501,350
Trade debts - unsecured considered good		58,398,265	82,163,137
Short term investments	10	3,904,987,272	3,197,171,078
Advances, deposits, prepayments and other receivables		402,407,893	374,610,885
Cash and bank balances		1,469,493,197	1,855,340,409
		7,677,504,704	6,989,749,555
		15,032,905,993	14,151,457,441

The annexed notes 1 to 17 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, 2014

		(Un-audited) July 1 - Sep 30 2014 Rupees	(Un-audited) July 1 - Sep 30 2013 Rupees
	Note		
Sales - net	11	2,925,089,593	2,643,559,506
Cost of goods sold	12	1,886,743,290	1,636,444,260
Gross profit		1,038,346,303	1,007,115,246
Selling and distribution expenses		16,967,084	14,352,989
Administrative and general expenses		27,880,066	24,260,399
Other income		(39,228,625)	(16,496,096)
Other charges		68,592,997	62,866,527
		74,211,522	84,983,819
Operating profit		964,134,781	922,131,427
Finance cost		26,289,106	43,727,174
Profit before taxation		937,845,675	878,404,253
Taxation	13	254,979,560	262,623,372
Profit after taxation		682,866,115	615,780,881
			(Restated)
Earnings per share (basic and diluted)		4.42	3.99

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

D. J. Anderson

Amirah Aziz
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

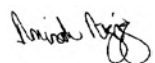
For the quarter ended September 30, 2014

	(Un-audited) July 1 - Sep 30 2014 Rupees	(Un-audited) July 1 - Sep 30 2013 Rupees
Profit after taxation	682,866,115	615,780,881
Other Comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Available for sale financial assets		
- net change in fair value	62,816,194	23,196,671
- reclassified to profit and loss account	—	—
Total comprehensive income for the period	745,682,309	638,977,552

The annexed notes 1 to 17 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, 2014

	Share capital	Share premium	Fair value reserve	General reserve	Accumulated profit	Total
	—Rupees—					
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 September 30, 2013	—	—	23,196,671	—	615,780,881	638,977,552
Balance as at September 30, 2013 - unaudited	1,287,572,410	49,704,951	64,260,378	70,000,000	5,208,487,808	6,680,025,547
Balance as at 30 June 2014 - audited	1,545,086,900	49,704,951	76,442,701	70,000,000	6,846,232,745	8,587,467,297
Total comprehensive income for the quarter ended Sep 30, 2014	—	—	62,816,194	—	682,866,115	745,682,309
Balance as at Sep 30, 2014 - unaudited	1,545,086,900	49,704,951	139,258,895	70,000,000	7,529,098,860	9,333,149,606

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Director

Condensed Interim Cash Flow Statment (Un-audited)

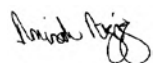
For the quarter ended September 30, 2014

	(Un-audited) July 1 - Sep 30 2014 Rupees	(Un-audited) July 1 - Sep 30 2013 Rupees
Note		
Cash flow from operating activities		
Profit after taxation	682,866,115	615,780,881
Adjustments for non-cash and other items:		
Taxation	254,979,560	262,623,372
Depreciation on property, plant and equipment	96,729,630	83,307,743
Amortization on intangible assets	114,168	170,118
Profit on sale of property, plant and equipment	(395,283)	(331,650)
Profit/mark-up on bank deposits	(36,113,831)	(15,098,372)
Compensated absences	774,000	402,729
Finance cost	26,289,106	43,727,174
	342,377,350	374,801,114
(Increase)/decrease in current assets:	1,025,243,465	990,581,995
Stores, spares and loose tools	(261,765,351)	(481,368,152)
Stock in trade	(99,988,680)	90,432,376
Trade debts	23,764,872	(5,725,275)
Advances, deposits, prepayments and other receivables	(29,309,976)	(44,099,798)
Increase/(decrease) in current liabilities		
Trade and other payables	245,571,557	311,337,233
	(121,727,578)	(129,423,616)
Cash generated from operations	903,515,887	861,158,379
Finance cost paid	(129,242,044)	(67,905,652)
Compensated absences paid	(1,075,063)	(959,013)
Income tax paid	(106,022,964)	(35,429,944)
Net cash inflow from operating activities	667,175,816	756,863,770
Cash flow from investing activities		
Fixed capital expenditure	(56,318,568)	(15,985,728)
Sale proceeds of property, plant and equipment	5,555,000	357,000
Purchase of Investment Property	(234,524,813)	-
Profit on bank deposits	32,626,803	15,562,257
Purchase of short term investments - net	(70,000,000)	(595,000,000)
Decrease in long term loans and advances	146,464	172,985
Decrease in long term deposits	-	(37,000)
Net cash used in investing activities	(322,515,114)	(594,930,486)
Cash flow from financing activities		
Dividend paid	(7,914)	-
Repayments of long term finances	(55,500,000)	(151,139,122)
Repayments of export re-finance	(100,000,000)	-
Net cash used in financing activities	(155,507,914)	(151,139,122)
Net increase in cash and cash equivalents	189,152,788	10,794,162
Cash and cash equivalents - at the beginning of the period	1,855,340,409	1,020,696,708
Cash and cash equivalents - at the end of the period	14 2,044,493,197	1,031,490,870

The annexed notes 1 to 17 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, 2014

1 Reporting Entity

- 1.1 Kohat Cement Company Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the production and sale of cement. The registered office is situated at Rawalpindi Road, Kohat, Pakistan.
- 1.2 ANS Capital (Pvt.) Ltd. is the holding company of the Company and holds 84,986,400 ordinary shares of the Company comprising 55% of its total paid up share capital.

2 Basis of preparation

- 2.1 These condensed interim financial statements comprise the balance sheet of the Company, as at 30 September 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof.
- 2.2 These condensed interim financial statements of the company for the first quarter ended 30 September 2014 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.3 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 2014.
- 2.4 The condensed interim financial statements are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.
- 2.5 Judgments, estimates and assumptions - The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on these condensed interim financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2014

- Depreciation method, rates and useful lives of fixed assets
 - Recoverable amount of assets / cash generating units and impairment
 - Fair values based on inputs from other than active market
 - Taxation
 - Provisions
- 2.6** Functional currency - These condensed interim financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 Statement of consistency in accounting policies

- 3.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements for the year ended 30 June 2014 except that the following new accounting policy has been adopted in preparation of these condensed interim financial statements:

"Investment Property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services or for administrative purposes.

The Company recognizes the Investment Properties at cost on initial recognition. Subsequent to the initial recognition, the Investment Properties are measured using the Cost Model as provided in 'IAS 40 - Investment Property'. The Cost Model requires to measure the investment property at each balance sheet date at its cost less any accumulated depreciation and any accumulated impairment losses. The Company's investment property is comprised of Land solely, which was recently acquired and accordingly recognized at cost .

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

The gain or loss on disposal or retirement of an investment property represented by the difference between the sale proceeds and the carrying amounts of the investment property is recognized as an income or expense."

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2014

	(Un-audited) Sep 30, 2014 Rupees	(Audited) June 30, 2014 Rupees
4 Long term finances - Secured		
Syndicated Term Finance	324,800,000	380,300,000
Less: Current maturity presented under current liabilities	(242,000,000)	(233,800,000)
	82,800,000	146,500,000
5 Trade and other payables		
Trade creditors	402,014,337	138,255,106
Contractors' bills payable	3,830,284	15,290,408
Accrued liabilities	459,744,505	623,023,495
Advances from customers	121,745,621	117,052,162
Payable to Workers' Profit Participation Fund	458,065,255	403,215,648
Payable to Workers' Welfare Fund	90,273,887	74,008,898
Taxes and duties	255,945,438	174,844,487
Securities and retention money	175,834,018	174,748,634
Unclaimed dividends	3,194,045	3,201,959
Dividend payable	48,366,989	48,366,989
Other payables	68,927,406	65,968,762
	2,087,941,785	1,837,976,548

6 Contingencies and commitments

6.1 Contingencies

There is no material change in the contingent liabilities of the company since the last annual balance sheet date.

	(Un-audited) Sep 30, 2014 Rupees	(Audited) June 30, 2014 Rupees
6.2 Commitments in respect of letters of credit for:		
Capital expenditure	961,299,006	930,155,224
Other than capital expenditure	23,743,671	319,247,212
	985,042,677	1,249,402,436

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2014

		(Un-audited) Sep 30, 2014 Rupees	(Audited) June 30, 2014 Rupees
7	Property, plant and equipment		
	Operating Fixed Assets	7.1 6,722,583,418	6,816,809,387
	Capital Work in Progress	7.2 346,141,221	292,486,030
		7,068,724,639	7,109,295,417
7.1	Operating Fixed Assets		
	Opening written down value	6,816,809,387	6,507,331,967
	Additions (Cost)		
	Freehold land	105,350	422,751,000
	Plant, machinery and equipment	–	236,504,252
	Furniture, fixtures and office equipment	1,393,605	3,309,052
	Computers and printers	371,173	1,169,499
	Power installations	–	508,547
	Light vehicles	793,250	12,713,500
	Heavy vehicles	–	4,172,650
	Weighing Scales	–	4,212
	Laboratory equipment	–	1,157,167
		2,663,378	682,289,879
	Disposals (Net book value)		
	Light vehicles	(159,717)	(261,976)
	Heavy vehicles	–	(1,057,976)
		(159,717)	(1,319,952)
	Depreciation charge for the period	(96,729,630)	(371,492,507)
	Closing written down value	6,722,583,418	6,816,809,387
7.2	Capital Work in Progress		
	Opening Balance	292,486,030	103,010,383
	Additions	53,655,191	408,071,273
	Transfers to fixed assets	–	(218,595,626)
		346,141,221	292,486,030
8	Investment Property		
	Opening Balance	–	–
	Land purchased during the period	234,524,813	–
		234,524,813	–

The carrying value of the investment property approximates its fair value as at the balance sheet date.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2014

9 Stores, spares and loose tools

These include store in transit amounting to Rs. 334.901 million (June 30, 2014: Rs. 109.5 million).

	(Un-audited) Sep 30, 2014 Rupees	(Audited) June 30, 2014 Rupees
10 Short term investments		
Available-for-sale		
Equity securities of listed company	69,498,000	74,257,560
Investment in money market mutual funds	3,260,489,272	3,122,913,518
Loans and receivables		
Investment in term deposit receipts	575,000,000	–
	3,904,987,272	3,197,171,078

	(Un-audited) July 1 - Sep 30 2014 Rupees	(Un-audited) July 1 - Sep 30 2013 Rupees
11 Sales - net		
Local sales - gross	3,186,893,027	2,769,058,373
Less: Sales tax	525,605,710	468,288,684
Federal Excise duty	148,652,415	129,377,000
	674,258,125	597,665,684
	2,512,634,902	2,171,392,689
Export sales	452,368,223	517,907,792
	2,965,003,125	2,689,300,481
Less: Rebate/ commission on cement sales	(39,913,532)	(45,740,975)
	2,925,089,593	2,643,559,506

12 Cost of goods sold

Raw materials consumed	122,824,691	97,207,569
Packing materials consumed	183,228,331	158,740,301
Power and fuel	603,813,052	354,157,129
Coal and gas	794,706,904	728,867,689
Coal unloading and feeding charges	799,045	758,119
Stores and spares consumed	59,421,877	36,126,618
Salaries, wages and other benefits	48,474,722	45,625,805
Royalty and excise duty	40,425,021	16,628,106
Rent, rates and taxes	4,713,555	3,218,025
Repairs and maintenance	15,297,597	11,113,756
Insurance	4,711,646	3,815,604
Depreciation	96,186,294	82,813,621
Other expenses	13,262,553	19,075,291
	1,987,865,288	1,558,147,633

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2014

	(Un-audited) July 1 - Sep 30 2014 Rupees	(Un-audited) July 1 - Sep 30 2013 Rupees
Work-in-process as at beginning of the year	222,819,484	497,146,264
as at end of the period	(343,678,341)	(431,564,116)
Finished goods as at beginning of the year	1,867,006,431	1,623,729,781
as at end of the period	148,584,366 (126,353,994)	147,072,009 (134,304,800)
Less: Cost attributable to self cement consumption	1,889,236,803 (2,493,513)	1,636,496,990 (52,730)
	1,886,743,290	1,636,444,260

13 Taxation

Current	267,563,930	252,591,969
Deferred	(12,584,370)	10,031,403
	254,979,560	262,623,372
	(Un-audited) Sep 30 2014 Rupees	(Un-audited) Sep 30 2013 Rupees

14 Cash and cash equivalents

Cash and bank balances	1,469,493,197	781,490,870
Term Deposit Receipts	575,000,000	250,000,000
	2,044,493,197	1,031,490,870

15 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 2014 Rupees	(Un-audited) July 1 - Sep 30 2013 Rupees
Contribution to provident fund	1,651,772	1,477,632
Contribution to Kohat Cement Co. Ltd. Education Trust	332,560	272,886
Palace Enterprises (Pvt.) Limited (services received)	94,442	51,795
Remuneration including benefits and perquisites of:		
- Chief Executive	4,842,560	3,473,000
- Executive Director	4,812,560	3,415,500
- Other Executives of the Company [No. of persons: 19 (2013: 12)]	16,293,256	8,526,942

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2014

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

16 Date of authorization for issue

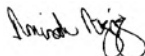
These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 27, 2014.

17 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



kohatcement.com

HEAD OFFICE

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