

PURSUING EXCELLENCE



1st QUARTER REPORT
SEPTEMBER 30,
2015

Contents

02	Corporate Information
03	Directors' Review
04	Balance Sheet
06	Profit and Loss Account
07	Statement of Comprehensive Income
08	Statement of Changes in Equity
09	Cash Flow Statement
10	Notes to the Financial Statements

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

Fax: (042) 37358817

Registered Office and Works

Kohat Cement Company Limited

Rawalpindi Road, Kohat.

Tel: (0922) 560990

Fax: (0922) 560405

Email: wall@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 your Company for the 1st quarter ended September 30, 2015.

Market Review

During the first quarter of financial year 2015-16 local dispatches of cement sector increased by 11.12% while exports declined by 27.23% compared to the corresponding period of last year.

Overall growth in sales volume of the cement sector, for the same period, has been recorded at 1.43%.

Production and Sales Volumes

By the grace of Almighty Allah, clinker production and sales volume of your Company have shown an overall increase of 7.07% and 10.75% respectively as detailed below:

	M. Tons	
	Quarter ended Sep. 30, 2015	Quarter ended Sep. 30, 2014
Clinker Production	435,436	406,669
Cement Dispatches	476,962	430,684

Financial Performance

Net earnings for the quarter under review have grown by 38.5% over the corresponding quarter of last year. Decrease in coal and energy prices are the primary reasons for the improved gross and net margins during the quarter under review. Comparison of un-audited results for the quarter ended September 30, 2015 with the corresponding quarter last year are as follows:

	(Rupees)	
	Sep. 30, 2015	Sep. 30, 2014
Net sales revenue	3,242,217,883	2,925,089,593
Gross profit	1,448,834,433	1,038,346,303
Admin and selling expenses	(73,144,823)	(44,847,150)
Other expenses	(104,600,663)	(68,592,997)
Other income	106,048,805	39,228,625
Finance costs	(9,387,764)	(26,289,106)
Taxation	(422,018,941)	(254,979,560)
Profit after taxation	945,731,047	682,866,115
Earnings per share (Rs.)	6.12	4.42

The Company is current on its all debt obligations.

On Going Projects

Waste Heat Recovery Power Plant (WHRPP) – Commissioning of the 15 MW WHRPP is under process and the project is expected to be fully operational by December 2015.

Cement Mill – Your Company has decided to add a new cement mill of 105 tph to bring in operational and economic efficiencies in the cement grinding process. The Contract for supply and erection of the cement mill has been signed with a Chinese company. The estimated cost of the project is around PKR 650 million and it is projected that the cement mill shall start production by September 2017.

Future Outlook

Stable cement prices, Government spending on infrastructure & development projects such as China Pak Economic Corridor (CPEC), cost effective production methods and expert professional management supervision indicate a strong future growth of your Company.

Acknowledgments

We feel great honour and pleasure in informing you that Forbes Magazine has selected your company as one of the "Best Under A Billion" companies in the Asia Pacific region. From a pool of 17000 listed companies only 200 exceptional small and mid sized companies are selected for this prestigious award. The selection criteria is sales and earnings growth over a 3 year period and strongest 5 year return on equity. Only 2 companies from Pakistan and 11 from India have been selected for this list.

The Board acknowledges and expresses its gratitude to all the stakeholders of the Company, without whom the company would not have been able to achieve this global stature and recognition.

For and on behalf of the Board



Aizaz Mansoor Sheikh
Chief Executive

Lahore: October 30, 2015

Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2015

	Note	(Un-audited) Sep 30, 2015 Rupees	(Audited) June 30, 2015 Rupees
EQUITY & LIABILITIES			
Authorised 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		171,792,112	165,227,112
Accumulated profit		10,032,671,163	9,086,940,116
		11,749,550,175	10,797,254,128
Non-current liabilities			
Long term finances - secured	4	923,684,208	994,736,840
Long term deposits		2,036,100	2,036,100
Deferred liabilities			
- deferred taxation		1,154,168,602	1,135,154,179
- compensated absences		9,133,582	9,416,950
		2,089,022,492	2,141,344,069
Current liabilities			
Trade and other payables	5	2,039,672,253	1,917,428,173
Interest /mark-up accrued on borrowings		318,834,842	438,388,476
Short term borrowings - secured		598,000,000	598,000,000
Current maturity of long term finances	4	367,010,528	430,710,528
Provision for taxation		350,777,467	738,343,179
		3,674,295,090	4,122,870,356
Contingencies and commitments			
	6	–	–
		17,512,867,757	17,061,468,553

Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2015

	Note	(Un-audited) Sep 30, 2015 Rupees	(Audited) June 30, 2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	7	7,776,222,771	8,164,179,999
Intangibles		852,017	445,181
Investment Property	8	839,646,021	416,749,671
Long term loans and advances		5,552,795	5,189,757
Long term deposits		38,295,582	41,266,640
		8,660,569,186	8,627,831,248
Current assets			
Stores, spares and loose tools	9	1,021,100,534	1,032,333,172
Stock in trade		365,247,562	355,137,623
Trade debts - unsecured considered good		262,102,740	220,618,994
Short term investments	10	5,344,541,644	3,354,540,000
Advances, deposits, prepayments and other receivables		619,423,619	546,561,535
Cash and bank balances		1,239,882,472	2,924,445,981
		8,852,298,571	8,433,637,305
		17,512,867,757	17,061,468,553

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, 2015

		(Un-audited) July 1 - Sep 30 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
	Note		
Sales - net	11	3,242,217,883	2,925,089,593
Cost of goods sold	12	1,793,383,450	1,886,743,290
Gross profit		1,448,834,433	1,038,346,303
Selling and distribution expenses		39,757,862	16,967,084
Administrative and general expenses		33,386,961	27,880,066
Other income	13	(106,048,805)	(39,228,625)
Other charges	14	104,600,663	68,592,997
		71,696,681	74,211,522
Operating profit		1,377,137,752	964,134,781
Finance cost		9,387,764	26,289,106
Profit before taxation		1,367,749,988	937,845,675
Taxation	15	422,018,941	254,979,560
Profit after taxation		945,731,047	682,866,115
Earnings per share (basic and diluted)		6.12	4.42

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, 2015

	(Un-audited) July 1 - Sep 30 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
Profit after taxation	945,731,047	682,866,115
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Available for sale financial assets		
- net change in fair value	6,565,000	62,816,194
Total comprehensive income for the period	952,296,047	745,682,309

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, 2015

	Share capital	Share premium	Fair value reserve	General reserve	Accumulated profit	Total
	Rupees					
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 September 30, 2014	–	–	62,816,194	–	682,866,115	745,682,309
Balance as at September 30, 2014 - unaudited	1,545,086,900	49,704,951	139,258,895	70,000,000	7,529,098,860	9,333,149,606
Balance as at 30 June 2015 - audited	1,545,086,900	49,704,951	45,522,161	70,000,000	9,086,940,116	10,797,254,128
Total comprehensive income for the quarter ended Sep 30, 2015	–	–	6,565,000	–	945,731,047	952,296,047
Balance as at Sep 30, 2015 - unaudited	1,545,086,900	49,704,951	52,087,161	70,000,000	10,032,671,163	11,749,550,175

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



Chief Executive



Director

Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended September 30, 2015

	(Un-audited) July 1 - Sep 30 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
Note		
Cash flow from operating activities		
Profit before taxation	1,367,749,988	937,845,675
Adjustments for non-cash and other items:		
Depreciation on property, plant and equipment	98,299,495	96,729,630
Amortization on intangible assets	110,439	114,168
(Profit)/loss on sale of property, plant and equipment	3,460,126	(395,283)
Profit/mark-up on bank deposits, TDR and MTB	(90,703,032)	(36,113,831)
Compensated absences	1,072,728	774,000
Unrealized Gain on Mutual Funds	(15,005,644)	—
Finance cost	9,387,764	26,289,106
	6,621,876	87,397,790
	1,374,371,864	1,025,243,465
<i>(Increase)/decrease in current assets:</i>		
Stores, spares and loose tools	11,232,638	(261,765,351)
Stock in trade	(10,109,939)	(99,988,680)
Trade debts	(41,483,746)	23,764,872
Advances, deposits, prepayments and other receivables	(52,784,452)	(29,309,976)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	122,285,226	245,571,557
	29,139,727	(121,727,578)
Cash generated from operations	1,403,511,591	903,515,887
Finance cost paid	(158,483,360)	(129,242,044)
Compensated absences paid	(1,356,096)	(1,075,063)
Income tax paid	(790,570,230)	(106,022,964)
Net cash inflow from operating activities	453,101,905	667,175,816
Cash flow from investing activities		
Fixed capital expenditure	(107,116,781)	(56,318,568)
Purchase of Intangibles	(517,275)	—
Sale proceeds of property, plant and equipment	—	5,555,000
Purchase of Investment Property	(40,000)	(234,524,813)
Profit/mark-up on bank deposits, TDR and MTB	70,625,400	32,626,803
Purchase of short term investments - net	(1,200,000,000)	(70,000,000)
Decrease/(increase) in long term loans and advances	(363,038)	146,464
Decrease in long term deposits	2,971,058	—
Net cash used in investing activities	(1,234,440,636)	(322,515,114)
Cash flow from financing activities		
Dividend paid	(41,146)	(7,914)
Repayments of long term finances	(134,752,632)	(55,500,000)
Proceeds From Export Re- Finance	—	(100,000,000)
Net cash used in financing activities	(134,793,778)	(155,507,914)
Net increase/(decrease) in cash and cash equivalents	(916,132,509)	189,152,788
Cash and cash equivalents - at the beginning of the period	6,224,445,981	1,855,340,409
Cash and cash equivalents - at the end of the period	16 5,308,313,472	2,044,493,197

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, 2015

1 Reporting Entity

- 1.1 Kohat Cement Company Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in 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 Kohat Cement and holds 84,986,400 ordinary shares of the Company comprising 55% of the total paid up capital.

2 Basis of preparation

- 2.1 These condensed interim financial statements comprise the balance sheet of the Company, as at 30 September 2015 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 1st Quarter ended 30 September 2015 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 2015.
- 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 financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:
 - 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 and presentation currency - These condensed interim financial statements are presented in Pak Rupees which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee, unless otherwise stated.

3 Significant accounting policies

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 2015.

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

For the quarter ended September 30, 2015

	(Un-audited) Sep 30, 2015 Rupees	(Audited) June 30, 2015 Rupees
4 Long term finances - Secured		
Syndicated Term Finance - ("STF III")	82,800,000	146,500,000
Syndicated Term Finance - ("STF WHR")	1,207,894,736	1,278,947,368
	1,290,694,736	1,425,447,368
Less: Current maturity presented under current liabilities	(367,010,528)	(430,710,528)
	923,684,208	994,736,840
5 Trade and other payables		
Trade creditors	197,369,533	371,378,323
Contractors' bills payable	22,668,191	14,103,668
Accrued liabilities	229,077,161	218,320,679
Advances from customers	151,869,755	126,281,937
Payable to Workers' Profit Participation Fund	637,101,652	563,772,126
Payable to Workers' Welfare Fund	106,561,010	81,049,999
Taxes and duties payable	362,733,736	217,638,832
Securities and retention money	182,741,648	180,891,525
Unclaimed dividends	5,191,506	5,223,393
Dividend payable	21,533,112	21,542,371
Other payables	122,824,949	117,225,320
	2,039,672,253	1,917,428,173

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.

	Note	(Un-audited) Sep 30, 2015 Rupees	(Audited) June 30, 2015 Rupees
6.2 Commitments in respect of letters of credit for:			
Capital expenditure		65,926,475	64,721,700
Other than capital expenditure		87,980,216	80,290,574
		153,906,691	145,012,274
7 Property, plant and equipment			
Operating fixed assets	7.1	5,980,043,975	6,465,042,583
Capital work in progress	7.2	1,796,178,796	1,699,137,416
		7,776,222,771	8,164,179,999

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

For the quarter ended September 30, 2015

	(Un-audited) Sep 30, 2015 Rupees	(Audited) June 30, 2015 Rupees
7.1 Operating fixed assets		
Opening written down value	6,465,042,583	6,816,809,387
Additions (Cost)		
Freehold land	–	105,350
Plant, machinery and equipment	5,178,195	4,103,943
Furniture, fixtures and office equipment	1,012,027	8,347,703
Computers and printers	2,447,245	3,516,861
Power installations	–	45,000
Light vehicles	30,979,896	29,184,860
Laboratory equipment	–	561,250
	39,617,363	45,864,967
Disposals (Net book value)		
Factory building	–	(5,755,000)
Furniture, fixtures and office equipment	–	(131,157)
Light vehicles	–	(712,365)
Plant, machinery and equipment	(3,460,126)	–
	(3,460,126)	(6,598,522)
Transfer to investment property		
Freehold land	(422,856,350)	–
Depreciation charge for the period	(98,299,495)	(391,033,249)
	5,980,043,975	6,465,042,583
7.2 Capital work in progress		
Opening balance	1,699,137,416	292,486,030
Additions during the period	97,041,380	1,407,998,431
Transfers to fixed assets during the period	–	(1,347,045)
	1,796,178,796	1,699,137,416
8 Investment property		
Opening balance	416,749,671	–
Additions during the period	40,000	416,749,671
Transfers from fixed assets during the period	422,856,350	–
Closing balance	839,646,021	416,749,671

The carrying value of investment property fairly represents its fair value as at balance sheet date.

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

For the quarter ended September 30, 2015

9 Stores, spares and loose tools

These include store in transit amounting to Rs. 207.31 million (June 30, 2015: Rs. 245.57 million).

	(Un-audited) Sep 30, 2015 Rupees	(Audited) June 30, 2015 Rupees
10 Short term investments		
<i>Available-for-sale</i>		
Equity securities of listed company	61,105,000	54,540,000
Investment in mutual funds	1,215,005,644	—
<i>Loans and receivables</i>		
Investment in term deposit receipts	1,855,000,000	3,300,000,000
Investment in market treasury bills	2,213,431,000	—
	5,344,541,644	3,354,540,000

	(Un-audited) July 1 - Sep 30 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
11 Sales - net		
Local sales - gross	3,742,821,224	3,186,893,027
Less: Sales tax	616,022,516	525,605,710
Federal excise duty	176,071,656	148,652,415
	792,094,172	674,258,125
	2,950,727,052	2,512,634,902
Export sales	347,335,811	452,368,223
	3,298,062,863	2,965,003,125
Less: Rebate / commission on cement sales	(55,844,980)	(39,913,532)
	3,242,217,883	2,925,089,593

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

For the quarter ended September 30, 2015

	(Un-audited) July 1 - Sep 30 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
12 Cost of goods sold		
Raw materials consumed	135,926,380	122,840,624
Packing materials consumed	199,008,511	183,228,331
Power and fuel	443,985,517	603,813,052
Coal and gas	686,324,871	795,505,949
Stores and spares consumed	86,251,960	59,421,877
Salaries, wages and other benefits	60,627,486	48,474,722
Royalty and excise duty	46,639,341	40,425,021
Rent, rates and taxes	4,455,235	4,713,555
Repairs and maintenance	21,531,417	15,297,597
Insurance	4,731,173	4,711,646
Depreciation	97,273,286	96,186,294
Other expenses	14,247,012	13,262,553
	1,801,002,189	1,987,881,221
Work-in-process as at beginning of the period	168,067,955	224,103,452
Work-in-process as at end of the period	(160,252,233)	(344,978,242)
Cost of goods manufactured	1,808,817,911	1,867,006,431
Opening stock of finished goods	103,016,133	148,584,366
	1,911,834,044	2,015,590,797
Closing stock of finished goods	(117,622,417)	(126,353,994)
	1,794,211,627	1,889,236,803
Less: Cost attributable to self cement consumption	(828,177)	(2,493,513)
	1,793,383,450	1,886,743,290
13 Other income		
<i>Income from financial assets</i>		
Profit on bank deposits, TDR and MTB	90,667,107	36,113,831
Profit from SNGPL loan	35,925	53,310
Unrealized gain from Mutual Funds	15,005,644	–
Dividend received from Mutual Funds	–	69,733
Interest on employees' loans	20,991	32,158
<i>Income from non-financial assets</i>		
Income from sale of scrap	124,720	2,389,813
Profit on sale of assets	–	395,283
Miscellaneous	194,418	174,497
	106,048,805	39,228,625
14 Other charges		
Workers Profit Participation Fund	73,329,526	50,448,013
Workers Welfare Fund	25,511,011	16,264,984
Donations	2,300,000	1,880,000
Loss on fixed asset disposal	3,460,126	–
	104,600,663	68,592,997

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

For the quarter ended September 30, 2015

	(Un-audited) July 1 - Sep 30 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
15 Taxation		
Current - for the year	403,004,518	267,563,930
Deferred - for the year	19,014,423	(12,584,370)
	422,018,941	254,979,560

	(Un-audited) Sep 30 2015 Rupees	(Un-audited) Sep 30 2014 Rupees
16 Cash and cash equivalents		
Cash and bank balances	1,239,882,472	1,469,493,197
Term deposit receipts	1,855,000,000	575,000,000
Market treasury bills	2,213,431,000	—
	5,308,313,472	2,044,493,197

17 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 2015 Rupees	(Un-audited) July 1 - Sep 30 2014 Rupees
Contribution to Provident Fund Trust	2,187,805	1,651,772
Contribution to Kohat Cement Educational Trust	21,600	332,560
Palace Enterprises (Pvt.) Limited (services received)	112,902	94,442
Art Vision (Pvt.) Ltd (cement sale)	8,184,897	—
Remuneration including benefits and perquisites of:		
- Chief Executive	7,616,249	4,842,560
- Executive Director	7,616,249	4,812,560
- Other Executives of the Company	29,275,260	16,293,256
[No. of persons 23 (2014: 19)]		

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

18 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 30, 2015.



Chief Executive



Director



/ HEAD OFFICE /

37-P, GULBERG II, LAHORE, PAKISTAN

TEL: +92-42-11-111-KCCL (5225)

FAX: +92-423-5754084, 5874990