

*Sailing
Smoothly*

Half Year
REPORT

2014-15

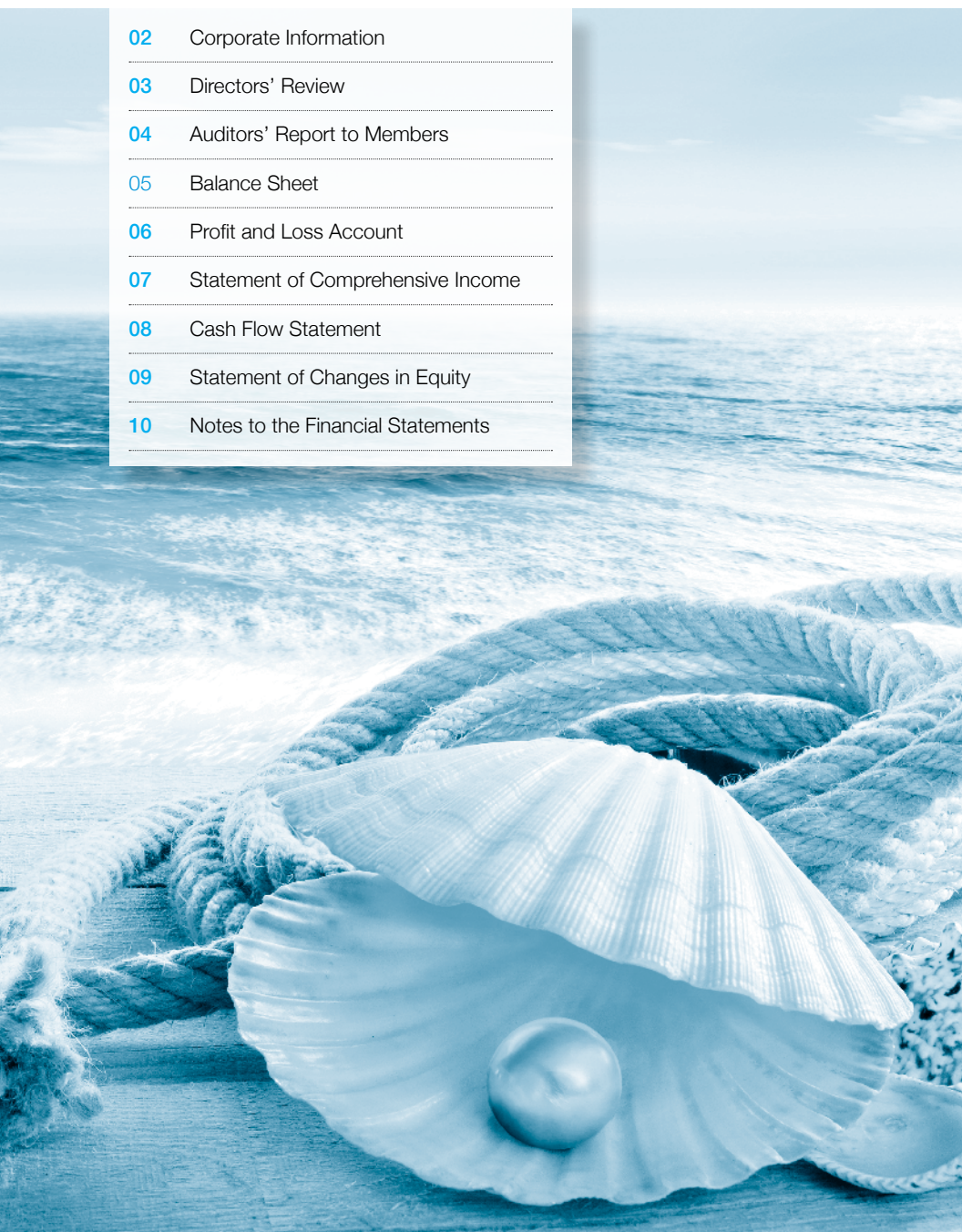


Half Year Report (Un-Audited) of
Kohat Cement Company Limited - December 31, 2014



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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

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

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 Board of Directors of your Company takes pleasure to present the Interim Financial Statements of your company for the 2nd Quarter and half year ended 31st December 2014 duly reviewed by the external auditors.

Market Review

During the half year ended 31-Dec-14, local dispatches of cement in Pakistan were 13.065 million M Tones registering a healthy growth of 9.10% while exports have been reduced to 4.06 million M Tones resulting into a negative impact of 2.07% compared to the corresponding period of last year. Overall growth in sales volume in the country for the half year ended 31-Dec-14 has been recorded at 6.23%

Production and Sales Volumes

The Company dispatched 868,458 metric tons cement during the six months period under review with a slight decrease of 1.98% over the dispatches in comparable period of the last year. Production and sales volumes of the Company during the period were as follows:

M. Tons

	Oct-Dec		July-Dec	
	2014	2013	2014	2013
Clinker Production	305,410	488,866	712,079	817,740
Cement Dispatches	437,774	476,856	868,458	885,976

The main reason for decrease in clinker production and cement dispatches was the unauthorized obstruction in mining operations of the Company by some local mischiefs during December 2014. As explained in Note 6.1.5 of the Interim unaudited Financial Statements for the half year ended 31-Dec-14, there is no legal impediment on excavation of materials, moreover, the Company has also developed an alternate quarry to avoid such situation in future. Old grey cement line remained non-operational due to overcapacity in the local market.

Financial Performance

Financial results are summarized below:

	2nd Quarter (Oct. to Dec)		Half Year (July-Dec)	
	2014	2013	2014	2013
Net Sales Revenue	2,980,934	3,209,442	5,906,024	5,853,001
Gross Profit	993,550	1,376,803	2,031,897	2,383,918
Operating Profit	958,173	1,260,084	1,922,308	2,182,216
Finance Cost	15,728	36,094	42,017	79,821
Profit Before Taxation	942,445	1,223,991	1,880,291	2,102,395
Taxation	259,525	365,774	514,504	628,398
Profit After Taxation	682,920	858,216	1,365,787	1,473,997
Earnings Per Share (Rs.)	4.42	5.55	8.84	9.54

Decline in profits of the Company is mainly attributable to increase in cost of electricity over the corresponding period of last year as the electricity tariff was increased by NEPRA in April 2014 by more than 50%. The management is hopeful that after setting up of 15MW Waste Heat Recovery Power Plant (WHRPP) by 30th June, 2015, the company shall be able to nullify the effect of increased electricity tariff.

The Company is current with all its debt obligations.

Future Outlook

Domestic demand of cement is expected to remain increasing due to Developmental projects executed by Government and other construction related activities in the Country. The Management of your Company is striving its best to use cost effective methods for production to maximize the profits 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

Auditors' Report To The Members on Review Of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Kohat Cement Company Limited** ("the Company") as at 31 December 2014 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as "the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended 31 December 2014 and 31 December 2013 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Lahore
February 06, 2015.



KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Condensed Interim Balance Sheet (Un-audited)

As at December 31, 2014

	Note	(Un-audited) Dec 31, 2014 Rupees	(Audited) June 30, 2014 Rupees
EQUITY & LIABILITIES			
Share capital and reserves			
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		295,269,135	196,147,652
Accumulated profit		7,903,001,885	6,846,232,745
		9,743,357,920	8,587,467,297
Non-current liabilities			
Long term finances - secured	5	518,554,306	146,500,000
Long term security deposits		2,061,100	2,061,100
Deferred liabilities			
- deferred taxation		1,269,408,159	1,284,110,198
- compensated absences		7,270,436	6,858,093
- deferred mark-up on long term finances		203,636,534	428,924,206
		2,000,930,535	1,868,453,597
Current liabilities			
Current maturity of non-current finances	5	364,628,932	233,800,000
Trade and other payables		1,671,345,195	1,837,976,548
Short term borrowings - secured		499,090,529	498,000,000
Interest / mark-up accrued on borrowings		443,466,232	398,980,489
Provision for taxation		227,432,858	726,779,510
		3,205,963,746	3,695,536,547
Contingencies and commitments			
	6	-	-
		14,950,252,201	14,151,457,441
ASSETS			
Non current assets			
Property, plant and equipment	7	7,761,976,023	7,109,295,417
Investment property	8	234,524,813	-
Intangible assets		657,051	885,387
Long term loans and advances		10,599,025	10,260,442
Long term deposits		41,266,640	41,266,640
		8,049,023,552	7,161,707,886
Current assets			
Stores, spares and loose tools		1,126,649,601	1,010,962,696
Stock in trade		242,707,713	469,501,350
Trade debts - unsecured considered good		82,599,903	82,163,137
Short term investments	9	4,185,299,688	3,197,171,078
Advances, deposits, prepayments and other receivables		471,396,148	374,610,885
Cash and bank balances		792,575,596	1,855,340,409
		6,901,228,649	6,989,749,555
		14,950,252,201	14,151,457,441

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Profit and Loss Account (Un-audited)

For the half year and quarter ended December 31, 2014

		2014 July to December	2013 July to December	2014 October to December	2013 October to December
	Note	Rupees			
Sales - net	10	5,906,023,973	5,853,001,437	2,980,934,380	3,209,441,931
Cost of sales	11	(3,874,127,364)	(3,469,083,253)	(1,987,384,074)	(1,832,638,993)
Gross profit		2,031,896,609	2,383,918,184	993,550,306	1,376,802,938
Selling and distribution expenses		(34,215,684)	(37,651,714)	(17,248,600)	(23,298,725)
Administrative and general expenses		(56,473,968)	(54,057,487)	(28,593,902)	(29,797,088)
Other income		118,763,274	40,331,533	79,534,649	23,835,437
Other charges	12	(137,662,455)	(150,324,789)	(69,069,458)	(87,458,262)
		(109,588,833)	(201,702,457)	(35,377,311)	(116,718,638)
Operating profit		1,922,307,776	2,182,215,727	958,172,995	1,260,084,300
Finance cost		(42,016,945)	(79,820,879)	(15,727,839)	(36,093,705)
Profit before taxation		1,880,290,831	2,102,394,848	942,445,156	1,223,990,595
Taxation	13	(514,504,311)	(628,397,583)	(259,524,751)	(365,774,211)
Profit after taxation		1,365,786,520	1,473,997,265	682,920,405	858,216,384
Earning per share (basic and diluted)		8.84	9.54	4.42	5.55

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year and quarter ended 31 December 2014

	2014 July to December	2013 July to December	2014 October to December	2013 October to December
	Rupees			
Profit after taxation	1,365,786,520	1,473,997,265	682,920,405	858,216,384
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit and loss account:				
Surplus on remeasurement of investments classified as available for sale to fair value	99,121,483	86,774,635	36,305,289	63,577,964
Total comprehensive income for the period	1,464,908,003	1,560,771,900	719,225,694	921,794,348

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Cash Flow Statment (Un-audited)

For the half year ended December 31, 2014

	Note	(Un-audited) July 1 - Dec 31 2014 Rupees	(Un-audited) July 1 - Dec 31 2013 Rupees
Cash flow from operating activities			
Profit after taxation		1,365,786,520	1,473,997,265
Adjustments for:			
Depreciation on property, plant and equipment		181,042,645	184,029,374
Amortization on intangible assets		228,336	326,085
Taxation		514,504,311	628,397,583
Gain on disposal of property, plant and equipment		(334,952)	(331,650)
Profit on bank deposits		(68,369,729)	(35,139,428)
Realized gain on sale of short term investments		(38,309,072)	(1,996,777)
Unrealized gain on short term investment		(5,035,657)	–
Provision for compensated absences		1,548,000	1,088,574
Finance cost		42,016,945	79,820,879
		627,290,827	856,194,640
Cash generated from operations before working capital changes		1,993,077,347	2,330,191,905
<i>(Increase)/decrease in current assets:</i>			
Stores, spares and loose tools		(115,686,905)	(66,108,866)
Stock in trade		226,793,637	(71,668,241)
Trade debts		(436,766)	(54,188,333)
Advances, deposits, prepayments and other receivables		(96,841,916)	(10,393,386)
<i>Increase/(decrease) in current liabilities:</i>			
Trade and other payables		(170,186,738)	229,349,301
		(156,358,688)	26,990,475
Cash generated from operations		1,836,718,659	2,357,182,380
Compensated absences paid		(1,135,657)	(1,101,858)
Finance cost paid		(222,818,874)	(116,028,463)
Income tax paid		(1,028,577,560)	(75,622,460)
Net cash generated from operating activities		584,186,568	2,164,429,599
Cash flow from investing activities			
Acquisition of property, plant and equipment		(833,973,299)	(181,790,856)
Proceeds from disposal of property, plant and equipment		5,585,000	357,000
Acquisition of investment property		(234,524,813)	–
Purchase of short term investments		(501,290,000)	(995,249,099)
Proceeds from disposal of short term investment		455,627,602	101,996,777
Decrease in long term deposits		–	(37,000)
Decrease in long term loans and advances		(338,583)	(18,889)
Profit on bank deposits received		63,450,940	36,834,680
Net cash used in investing activities		(1,045,463,153)	(1,037,907,387)
Cash flow from financing activities			
Repayment of long term finances - secured		(112,900,000)	(307,770,436)
Proceeds of long term finances -secured		615,783,238	–
Increase in short term borrowings		1,090,529	–
Dividend paid		(305,461,995)	(614,969,590)
Net cash generated from / (used in) financing activities		198,511,772	(922,740,026)
Net (decrease) / increase in cash and cash equivalents		(262,764,813)	203,782,186
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	1,592,575,596	1,224,478,894

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the half year ended 31 December 2014

	Share Capital	Capital Reserves		Revenue Reserves		Total reserves	Total
		Share premium	Fair value reserve	General reserve Rupees	Accumulated profit		
Balance as at 30 June 2013 - audited	1,287,572,410	49,704,951	41,063,707	70,000,000	4,592,706,927	4,753,475,585	6,041,047,995
Total comprehensive income							
Profit for the half year ended 31 December 2013	-	-	-	-	1,473,997,265	1,473,997,265	1,473,997,265
Other comprehensive income for the half year ended 31 December 2013	-	-	86,774,635	-	-	86,774,635	86,774,635
	-	-	86,774,635	-	1,473,997,265	1,560,771,900	1,560,771,900
Transactions with owners of the Company							
02 bonus shares for every 10 ordinary shares held for the year ended 30 June 2013	257,514,490	-	-	-	(257,514,490)	(257,514,490)	-
Final cash dividend at Rs. 5.0 per share for the year ended 30 June 2013	-	-	-	-	(643,786,205)	(643,786,205)	(643,786,205)
Balance as at 31 December 2013 (un-audited)	1,545,086,900	49,704,951	127,838,342	70,000,000	5,165,403,497	5,412,946,790	6,958,033,690
Balance as at 30 June 2014 (audited)	1,545,086,900	49,704,951	76,442,701	70,000,000	6,846,232,745	7,042,380,397	8,587,467,297
Total comprehensive income							
Profit for the half year ended 31 December 2014	-	-	-	-	1,365,786,520	1,365,786,520	1,365,786,520
Other comprehensive income for the half year ended 31 December 2014	-	-	99,121,483	-	-	99,121,483	99,121,483
	-	-	99,121,483	-	1,365,786,520	1,464,908,003	1,464,908,003
Transactions with owners of the Company							
Final cash dividend at Rs. 2.0 per share for the year ended 30 June 2014	-	-	-	-	(309,017,380)	(309,017,380)	(309,017,380)
Balance as at 31 December 2014 (un-audited)	1,545,086,900	49,704,951	175,564,184	70,000,000	7,903,001,885	8,198,271,020	9,743,357,920

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

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

For the half year ended 31 December 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 the 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 of the Company 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 Basis of accounting

- 2.1.1 This condensed interim financial information comprises the condensed interim balance sheet of the Company, as at 31 December 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.
- 2.1.2 This condensed interim financial information of the Company for the six months period ended 31 December 2014 has 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. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended on 30 June 2014.
- 2.1.4 This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.

3 Significant accounting policies

- 3.1 Except as described below, the accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements for the year ended 30 June 2014.

3.2 Investment property

Investment Property is property held either to earn rental income or for capital appreciation or for both, but not for:

- use in production or supply of goods or services or for administrative purposes; and
- sale in the ordinary course of business.

Investment property comprises of land only and it is initially measured at cost, being the fair value of the consideration given. Subsequent to the initial recognition, the investment property is measured using the cost model as provided in International Accounting Standard 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 less any accumulated impairment losses.

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. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Any gain or loss on disposal of an investment property calculated as the difference between the net proceeds from disposal and the carrying amount of the investment property is recognized in profit or loss account.

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

For the half year ended 31 December 2014

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.3 Investments

At fair value through profit or loss - held for trading

An investment is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and repurchasing in near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes sales and purchase decision based on their fair value in accordance with the Company's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. Attributable transaction costs are recognized directly in profit and loss account. Subsequent to initial recognition, these investments are measured at fair value with any resulting gain or loss recognized directly in the profit and loss account.

3.4

There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

In addition to the above, following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 41 - Agriculture	01 January 2016
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 12 - Disclosure of Interest in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 27 - Separate Financial Statements	01 January 2016
Annual Improvements to IFRSs 2012-2014 Cycles	01 January 2016

4 Judgements and estimates

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies, key estimates and uncertainty includes:

- Depreciation method, residual value and useful life of fixed assets
- Taxation
- Staff retirement benefits
- Provisions and contingencies

	Note	(Un-audited) Dec 31, 2014 Rupees	(Audited) June 30, 2014 Rupees
5 Long term finances - Secured			
Syndicated term finance - III		267,400,000	380,300,000
Syndicated term finance - WHR	5.1	615,783,238	-
		883,183,238	380,300,000
Less: current maturity presented under current liabilities		(364,628,932)	(233,800,000)
		518,554,306	146,500,000

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

For the half year ended 31 December 2014

5.1 During the period, the Company has obtained Syndicated Term Finance facility ("STF") of Rs. 1,600.00 million by the way of Syndicated Term Finance Agreement entered on 20 November 2014 from a consortium of banking companies to finance the Company's Waste Heat Recovery ("WHR") Power Plant Project. Askari Bank Limited is the lead arranger and agent of this STF. Out of total facility, Rs. 615.78 million were drawn as of the balance sheet date. This facility carries mark-up at three month KIBOR plus a spread of 1.75% per annum, payable quarterly. The principal is repayable in nineteen equal quarterly instalments starting after a grace period of three months from the first drawdown. This facility is secured by way of ranking charge over all present and future fixed assets of the Company amounting to Rs. 2,134.00 million and personal guarantees of directors of the Company. Such charge shall be upgraded to first pari passu charge within 120 days of its creation.

6 Contingencies and commitments

6.1 Contingencies

- 6.1.1** DCIR has imposed a penalty of Rs. 36.90 million under section 33(17) of the Sales Tax Act, 1990 ("the Act") for alleged violation of section 3(2) of the Act, which requires the Company to print retail price on cement bags. In the immediate case, DCIR ignored the facts of legal compliance by the Company including due discharge of its Sales Tax liability and arbitrarily imposed the penalty presuming that entire Sales Tax liability for the period from July 2013 to January 2014 is unpaid. Hence, the Company filed an appeal before CIR(A), which was decided by CIR(A) against the Company through a non speaking order which is contested by the Company before the honourable Appellate Tribunal Inland Revenue, Lahore which is pending adjudication. The Company is of the view that since the Company has duly discharged its Sales Tax liability for the period under reference, hence the question of imposition of penalty does not arise.
- 6.1.2** The Deputy Commissioner Inland Revenue ("DCIR"), while rectifying deemed assessment of the Company for the tax year 2013 disallowed claim of prior years' available refunds of Rs. 29.80 million without considering the facts and submissions of the Company. The arbitrary treatment meted out by the DCIR has been contested by the Company before Commissioner Inland Revenue (Appeals), where the Company is strongly expecting a favourable outcome.
- 6.1.3** The Federal Government vide notification dated 03 October 2014 has imposed a surcharge at Rs. 0.30/KWH on account of recovering debt servicing. The said levy was challenged by the Company as well as various other stakeholders before Honourable Peshawar High Court ("PHC") on various legal grounds, the decision of which is pending adjudication.
- 6.1.4** The Federal Government vide Notification No. 240(I)/2011 dated March 15, 2011 imposed EQ Surcharge on electricity consumption of the Company. The said levy was challenged by the Company before the Honourable Islamabad High Court ("IHC") through filing of writ petition, wherein the IHC granted the stay in favour of the Company on December 20, 2011. Subsequently on June 19, 2014, the stay was vacated by IHC due to much prolonged proceedings without any decision on the matter enabling the Peshawar Electricity Supply Company to recover an amount of Rs. 12.83 million under the head EQ Surcharge, however, the case is yet to be decided by IHC. Since the identical matter has been sub-judice before the Honourable Lahore High Court ("LHC"), wherein the stay order has been issued by the LHC against the National Electric Power Regulatory Authority, the Company has strong belief for a favourable outcome.
- 6.1.5** The Company has valid leasing rights from Government of Khyber Pakhtunkhwa ("KPK") for excavation of minerals from leasehold land against payment of Royalty and Excise Duty to the Government. The Company also pays Surface Rent to Local Community through their Representatives in accordance with the Mining Laws. However, some disputes arose between the locals with regard to distribution of Surface Rent and instead of settling the disputes amongst themselves, they approached the Civil Courts which granted them temporary stay / status quo orders preventing the Company to excavate, without hearing the Company. However, since the Company has legal and valid lease rights over the lease area these stays have been vacated on pleading the case by the Company before the Learned Court. At the present point in time, no such stays are in field debaring the Company to exercise its valid and legal rights for excavation of the materials. Moreover, the Company has also developed an alternate quarry within the existing leased area to avoid any such interruption in future.

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

For the half year ended 31 December 2014

Management is confident of favourable outcome in all aforementioned matters, hence no provision is being recognized in respect of these matters in the financial statements.

Other than the above mentioned matters, there has been no material change in contingencies from the preceding annual published financial statements of the Company for the year ended 30 June 2014.

	Note	(Un-audited) Dec 31, 2014 Rupees	(Audited) June 30, 2014 Rupees
6.2 Commitments			
In respect of letters of credit for:			
- capital expenditure		329,693,966	930,155,224
- stores and spares items		31,410,289	319,247,212
		361,104,255	1,249,402,436
7 Property, plant and equipment			
Operating fixed assets	7.1	6,647,639,112	6,816,809,387
Capital work in progress - at cost	7.2	1,114,336,911	292,486,030
		7,761,976,023	7,109,295,417
7.1 Operating Fixed Assets			
Opening written down value		6,816,809,387	6,507,331,967
<i>Add: Additions during the period / year (cost)</i>			
Freehold land		105,350	422,751,000
Plant, machinery and equipment		-	236,504,252
Power installations		-	508,547
Furniture, fixtures and other office equipment		4,310,922	3,309,052
Computers and printers		1,140,496	1,169,499
Weighing scale		-	4,212
Light vehicles		6,565,650	12,713,500
Heavy vehicles		-	4,172,650
Laboratory equipment		-	1,157,167
		12,122,418	682,289,879
<i>Less: Disposals during the period / year (written down value)</i>			
Heavy vehicles		(163,744)	(261,976)
Laboratory equipment		-	(1,057,976)
Furniture, fixtures and other office equipment		(86,304)	-
		(250,048)	(1,319,952)
<i>Less: Depreciation charge for the period / year</i>		(181,042,645)	(371,492,507)
<i>Closing written down value</i>		6,647,639,112	6,816,809,387
7.2 Capital work in progress - at cost			
Balance at the beginning of the period / year		292,486,030	103,010,383
Add: Additions during the period / year		823,197,926	408,071,273
Less: Transfers to fixed assets during the period / year		(1,347,045)	(218,595,626)
		1,114,336,911	292,486,030

8 Investment property

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 half year ended 31 December 2014

	(Un-audited) Dec 31, 2014 Rupees	(Audited) June 30, 2014 Rupees
9 Short term investments		
<i>Available-for-sale</i>		
Equity securities of Gharibwal Cement Limited	43,430,000	74,257,560
Investment in money market mutual funds	2,905,544,031	3,122,913,518
	2,948,974,031	3,197,171,078
<i>At fair value through profit or loss</i>		
Investment in money market mutual funds	436,325,657	–
<i>Loans and receivables</i>		
Investment in term deposit receipts	800,000,000	–
	4,185,299,688	3,197,171,078

	(Un-audited) July 1 - Dec 31 2014 Rupees	(Un-audited) July 1 - Dec 30 2013 Rupees
10 Sales - net		
Local sales - gross	6,533,256,067	6,307,195,069
Less: Sales tax	1,078,021,296	1,057,335,459
Federal Excise duty	305,694,993	289,063,200
	1,383,716,289	1,346,398,659
Export sales	5,149,539,778	4,960,796,410
	834,332,177	983,771,035
	5,983,871,955	5,944,567,445
Less: Rebate / commission	77,847,982	91,566,008
	5,906,023,973	5,853,001,437

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

For the half year ended 31 December 2014

	(Un-audited) July 1 - Dec 31 2014 Rupees	(Un-audited) July 1 - Dec 31 2013 Rupees
11 Cost of sales		
Raw materials consumed	215,710,544	238,693,533
Packing materials consumed	377,212,960	352,997,366
Fuel and power	1,065,448,543	787,015,596
Coal, gas and furnace oil	1,409,886,330	1,688,569,009
Coal unloading and feeding charges	1,475,167	1,572,143
Stores, spares and loose tools consumed	138,905,485	97,734,277
Salaries, wages and other benefits	100,988,586	88,676,991
Royalty and excise duty	64,731,744	42,062,658
Rent, rates and taxes	10,771,627	8,269,278
Repairs and maintenance	31,645,654	24,382,935
Insurance	9,303,864	7,571,591
Depreciation	179,702,754	183,041,131
Other expenses	27,321,816	30,147,523
	3,633,105,074	3,550,734,031
<i>Work-in-process:</i>		
As at beginning of the period	222,816,490	497,146,264
As at end of the period	(90,231,302)	(572,466,659)
Cost of goods manufactured	3,765,690,262	3,475,413,636
<i>Finished goods:</i>		
As at beginning of the period	148,582,344	147,072,009
As at end of the period	(31,789,014)	(153,350,974)
	3,882,483,592	3,469,134,671
Less: Cost attributable to own cement consumption	(8,356,228)	(51,418)
	3,874,127,364	3,469,083,253
12 Other charges		
Donations	4,890,000	1,050,000
Workers' Profit Participation Fund	100,674,273	112,483,642
Workers' Welfare Fund	32,098,182	36,791,147
	137,662,455	150,324,789
13 Taxation		
Current	529,206,353	622,721,276
Deferred	(14,702,042)	5,676,307
	514,504,311	628,397,583
	(Un-audited) Dec 31 2014 Rupees	(Un-audited) Dec 31 2013 Rupees
14 Cash and cash equivalents		
Cash and bank balances	792,575,596	974,478,894
Term deposit receipts	800,000,000	250,000,000
	1,592,575,596	1,224,478,894

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

For the half year ended 31 December 2014

15 Transactions with related parties

The related parties comprise holding company, associated companies, key management personnel including directors of the Company and staff retirement funds. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

	(Un-audited) July 1 - Dec 31 2014 Rupees	(Un-audited) July 1 - Dec 31 2013 Rupees
Contribution to provident fund	3,388,293	2,946,609
Contribution to Kohat Cement Co. Limited Education Trust	402,240	401,460
Palace Enterprises (Private) Limited	113,136	99,048
<i>Remuneration including benefits and perquisites of:</i>		
Chief Executive and Executive Directors [No. of persons 1 and 1 (2013: 1 and 1) respectively]	21,131,309	17,113,707
Other Executives of the Company [No. of persons 20 (2013: 13)]	33,502,044	22,452,927

16 Operating segment

16.1 Information about operating segment

This condensed interim financial information has been prepared on the basis of single reportable segment.

16.2 Revenue from sale of cement represents 100.00% (31 December 2013: 100.00%) of gross sales of the Company. Sale comprises 95.79% (31 December 2013: 97.97%) sale of grey cement and 4.21% (31 December 2013: 2.03%) from white cement.

16.3 Geographical information

The net sales percentage by geographic region is as follows:

	(Un-audited) July 1 - Dec 31 2014 Rupees	(Un-audited) July 1 - Dec 31 2013 Rupees
Pakistan	86.06%	83.45%
Afghanistan	13.94%	16.55%
	100.00%	100.00%

16.4 All assets of the Company as at 31 December 2014 are located in Pakistan.

17 Date of authorization for issue

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 06, 2015.

18 General

Figures have been rounded off to the nearest rupee.



Chief Executive



Director



kohatcement.com

HEAD OFFICE

37-P, Gulberg II, Lahore, Pakistan

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

Fax: +92-423-5754084, 5874990

Email: info@kohatcement.com

