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QUARTER
REPORT

2014-15



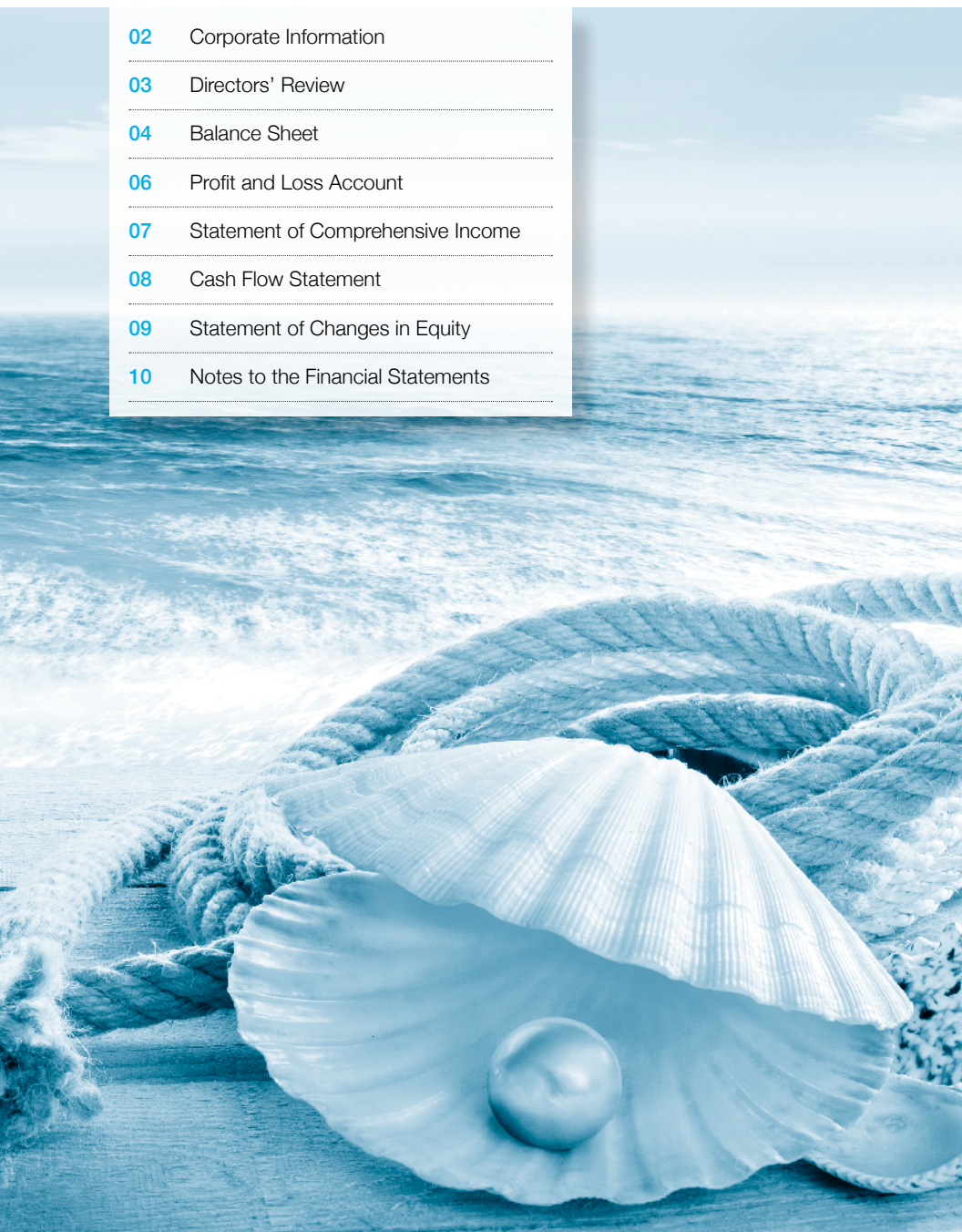
Quarter Report (Un-Audited) of
Kohat Cement Company Limited - March 31, 2015



In recognition of its outstanding performance, Kohat Cement Company Limited has been honoured with the KSE Top 25 Companies Award 2013.

Contents

02	Corporate Information
03	Directors' Review
04	Balance Sheet
06	Profit and Loss Account
07	Statement of Comprehensive Income
08	Cash Flow Statement
09	Statement of Changes in Equity
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: wali@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 your Company are pleased to present the Un-Audited Interim Financial Statements of your Company for the 3rd Quarter and nine months ended 31st March 2015.

Market Review

During the period of nine months under review, local dispatches of cement in Pakistan were 20.3 million M Tones registering a healthy growth of 8.4% while exports have been declined to 5.4 million M Tones resulting into a negative impact of 9.6% compared to the corresponding period of last year. Overall growth in sales volume in the country for the nine months ended 31st March 2015 has been recorded at 4.1%.

Production and Sales Volumes

The Company dispatched 1,297,781 metric tons cement during the nine months period under review with a decrease of 5.58% 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

	3rd Quarter (Jan-Mar)		Nine Month (July-Mar)	
	2015	2014	2015	2014
Clinker Production	452,403	299,664	1,164,482	1,117,404
Cement Dispatches	429,323	488,559	1,297,781	1,374,535

The decrease in cement dispatches is mainly due to unauthorized obstruction in mining operations of the Company by some local miscreants during the months of December 2014 and January 2015. However, as of today, there is no legal impediment on excavation of materials and the Company has expanded its resources by developing more quarries to avoid such situation in future. Clinker manufacturing from old grey cement line remained suspended due to overcapacity in the local market.

Financial Performance

Financial results are summarized below:

	3rd Quarter (Jan-Mar)		Nine Month (Jul-Mar)	
	2015	2014	2015	2014
Net sales revenue	2,889,284	3,309,458	8,795,308	9,162,459
Gross profit	1,087,487	1,397,791	3,119,383	3,781,710
Operating profit	1,202,049	1,393,068	3,124,357	3,575,284
Finance cost	18,041	46,205	60,058	126,026
Profit before taxation	1,184,008	1,346,863	3,064,299	3,449,258
Taxation	318,386	392,051	832,890	1,020,449
Profit after taxation	865,622	954,812	2,231,409	2,428,809
Earnings per share (Rs.)	5.60	6.18	14.44	15.72

Reduction 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.

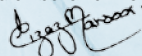
Future Outlook

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

While placing on record our thanks to all the stakeholders, we look forward to their continued support in future. The employees of the Company deserve a special vote of thanks for their hard work, dedication and commitment.

For and on behalf of the Board



Aizaz Mansoor Sheikh
Chief Executive

Lahore: April 09, 2015

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2015

	Note	(Un-audited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
EQUITY AND 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		162,459,712	196,147,652
Accumulated profit		8,768,624,120	6,846,232,745
		10,476,170,732	8,587,467,297
Non-Current liabilities			
Long term finances - secured	5	749,359,150	146,500,000
Long term security deposits		2,036,100	2,061,100
Deferred liabilities			
- deferred taxation		1,268,130,427	1,284,110,198
- compensated absences		7,973,632	6,858,093
- deferred mark-up on long term finances		105,231,716	428,924,206
		2,132,731,025	1,868,453,597
Current liabilities			
Current maturity of long term finances	5	348,504,840	233,800,000
Trade and other payables	6	1,935,454,517	1,837,976,548
Short term borrowings - secured		598,000,000	498,000,000
Interest / mark-up accrued on borrowings		449,744,975	398,980,489
Provision for taxation		412,601,165	726,779,510
		3,744,305,497	3,695,536,547
Contingencies and commitments	7	–	–
		16,353,207,254	14,151,457,441

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2015

	Note	(Un-audited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
ASSETS			
Non-Current assets			
Property, plant and equipment	8	8,059,070,956	7,109,295,417
Investment property	9	416,749,671	–
Intangible assets		542,883	885,387
Long term loans and advances		10,486,200	10,260,442
Long term deposits		41,266,640	41,266,640
		8,528,116,350	7,161,707,886
Current assets			
Stores, spares and loose tools		980,115,899	1,010,962,696
Stock-in-trade		374,721,033	469,501,350
Trade debts - unsecured, considered good		144,980,662	82,163,137
Short term investments	10	4,384,895,605	3,197,171,078
Advances, deposits, prepayments and other receivables		486,306,786	374,610,885
Cash and bank balances		1,454,070,919	1,855,340,409
		7,825,090,904	6,989,749,555
		16,353,207,254	14,151,457,441

The annexed notes from 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 and nine month period ended March 31, 2015

	Note	Quarter ended (Un-audited)		Nine month ended (Un-audited)	
		Mar 31,2015	Mar 31,2014	Mar 31,2015	Mar 31,2014
		Rupees			
Sales - net	11	2,889,284,188	3,309,457,964	8,795,308,161	9,162,459,401
Cost of goods sold	12	(1,801,797,368)	(1,911,666,591)	(5,675,924,732)	(5,380,749,844)
Gross profit		1,087,486,820	1,397,791,373	3,119,383,429	3,781,709,557
Selling and distribution expenses		(18,004,487)	(22,999,254)	(52,220,171)	(60,650,968)
Administrative and general expenses		(28,611,679)	(24,466,717)	(85,085,647)	(78,524,204)
Other income	13	245,923,013	133,188,957	364,686,287	173,520,490
Other expenses	14	(84,744,804)	(90,446,052)	(222,407,259)	(240,770,841)
		114,562,043	(4,723,066)	4,973,210	(206,425,523)
Operating profit		1,202,048,863	1,393,068,307	3,124,356,639	3,575,284,034
Finance cost		(18,040,716)	(46,205,381)	(60,057,661)	(126,026,268)
Profit before taxation		1,184,008,147	1,346,862,926	3,064,298,978	3,449,257,766
Taxation	15	(318,385,912)	(392,050,985)	(832,890,223)	(1,020,448,568)
Profit after taxation		865,622,235	954,811,941	2,231,408,755	2,428,809,198
Earnings per share (basic and diluted)		5.60	6.18	14.44	15.72

The annexed notes from 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 and nine month period ended March 31, 2015

	Quarter ended (Un-audited)		Nine month ended (Un-audited)	
	Mar 31, 2015	Mar 31, 2014	Mar 31, 2015	Mar 31, 2014
	Rupees			
Profit after taxation	865,622,235	954,811,941	2,231,408,755	2,428,809,198
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit and loss account:				
Available for sale				
Income realized during the period	(167,337,479)	(107,036,628)	(202,080,476)	(109,033,605)
Surplus on remeasurement of investment	34,528,056	41,460,210	168,392,536	130,231,830
Other comprehensive income/(loss) - net of taxes	(132,809,423)	(65,576,418)	(33,687,940)	21,198,225
Total comprehensive income for the period	732,812,812	889,235,523	2,197,720,815	2,450,007,423

The annexed notes from 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 nine month period ended March 31, 2015

	Note	(Un-audited) March 31 2015 Rupees	(Un-audited) March 31 2014 Rupees
Cash flow from operating activities			
Profit after taxation		2,231,408,755	2,428,809,198
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		281,832,328	263,979,042
Amortization on intangible assets		342,504	440,254
Taxation		832,890,223	1,020,448,568
Profit on sale of property, plant and equipment		(881,478)	(331,650)
Profit on bank deposit		(97,867,733)	(59,772,871)
Gain on sale of investment		(216,824,539)	(109,033,605)
Unrealised gain on investment in mutual fund		(42,358,607)	–
Accrual for compensated absences		2,322,000	1,203,039
Finance cost		60,057,661	126,026,268
		819,512,359	1,242,959,045
Operating profit before working capital changes		3,050,921,114	3,671,768,243
Changes in working capital			
(Increase) /decrease in current assets			
Stores, spares and loose tools		30,846,797	(257,963,711)
Stock in trade		94,780,317	402,121,899
Trade debts		(62,817,525)	(75,864,707)
Advances, deposits, prepayments and other receivables		(113,446,684)	(11,533,761)
(Increase) /decrease in current liabilities			
Trade and other payables		121,330,157	278,119,912
		70,693,062	334,879,632
Cash generated from operations		3,121,614,176	4,006,647,875
Compensated absences paid		(1,206,461)	(1,105,124)
Finance cost paid		(332,985,665)	(190,206,073)
Income tax paid		(1,163,322,556)	(170,626,425)
Net cash generated from operating activities		1,624,099,494	3,644,710,253
Cash flow from investing activities			
Fixed capital expenditure		(1,232,451,389)	(842,714,305)
Acquisition of investment property		(416,749,671)	–
Proceeds from disposal of property, plant and equipment		6,725,000	357,000
Net purchase of short term investments		(362,229,320)	(1,269,562,398)
Decrease in long term security deposits		(25,000)	–
Increase in long term loans and advances		(225,758)	(322,752)
Increase in long term deposits		–	(37,000)
Profit on bank deposits		94,892,732	60,727,274
Net cash used in investing activities		(1,910,063,406)	(2,051,552,181)
Cash flow from financing activities			
Repayments of long term finances - secured		(172,300,000)	(500,033,779)
Proceeds of long term finances -secured		889,863,990	–
Proceeds from export refinance		100,000,000	–
Dividend paid		(332,869,568)	(614,969,590)
Net cash generated from / (used in) financing activities		484,694,422	(1,115,003,369)
Net increase in cash and cash equivalents		198,730,510	478,154,703
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	16	2,054,070,919	1,498,851,411

The annexed notes from 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 nine month period ended March 31, 2015

	Share Capital	Capital Reserves Share premium	Fair value reserve	Revenue Reserves General reserve Rupees	Accumulated profit	Total reserves	Total
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 nine month period ended 31 March 2014	-	-	-	-	2,428,809,198	2,428,809,198	2,428,809,198
Other comprehensive income for the nine month period ended 31 March 2014	-	-	21,198,225	-	-	21,198,225	21,198,225
	-	-	21,198,225	-	2,428,809,198	2,450,007,423	2,450,007,423
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 March 2014 - unaudited	1,545,086,900	49,704,951	62,261,932	70,000,000	6,120,215,430	6,302,182,313	7,847,269,213
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 nine month period ended 31 March 2015	-	-	-	-	2,231,408,755	2,231,408,755	2,231,408,755
Other comprehensive loss for the nine months ended 31 March 2015	-	-	(33,687,940)	-	-	(33,687,940)	(33,687,940)
	-	-	(33,687,940)	-	2,231,408,755	2,197,720,815	2,197,720,815
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 March 2015 - unaudited	1,545,086,900	49,704,951	42,754,761	70,000,000	8,768,624,120	8,931,083,832	10,476,170,732

The annexed notes from 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 nine month period ended March 31, 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 (Private) Limited 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 condensed interim balance sheet of the Company, as at 31 March 2015 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.
- 2.2 These condensed interim financial statements of the Company for the 3rd Quarter and nine months period ended 31 March 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 2014.
- 2.4 The condensed interim financial statements are 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 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.

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.

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.

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

For the nine month period ended March 31, 2015

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.

The 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 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 expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by management in applying accounting policies, key estimates and uncertainty includes:

- Depreciation method, residual values and useful life of depreciable assets
- Taxation
- Staff retirement benefits
- Provisions and Contingencies

	Note	(Un-audited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
5 Long term finances - Secured			
Syndicated term finance - III		208,000,000	380,300,000
Syndicated term finance - WHR	5.1	889,863,990	-
		1,097,863,990	380,300,000
Less: Current maturity shown under current liabilities		(348,504,840)	(233,800,000)
		749,359,150	146,500,000

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

For the nine month period ended March 31, 2015

- 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. 889.86 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 first pari passu charge over all present and future fixed assets of the Company amounting to Rs. 2,134.00 million and personal guarantees of sponsoring directors of the Company.

	(Un-audited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
6 Trade and other payables		
Trade creditors	351,342,165	138,255,106
Contractors' bills payable	10,092,584	15,290,408
Accrued liabilities	281,240,849	623,023,495
Advances from customers	149,597,357	117,052,162
Payable to Workers' Profit Participation Fund	533,965,360	403,215,648
Payable to Workers' Welfare Fund	51,954,079	74,008,898
Taxes and duties	268,154,057	174,844,487
Securities and retention money	178,858,532	174,748,634
Unclaimed dividends	5,879,832	3,201,959
Dividend payable	21,836,938	48,366,989
Other payables	82,532,764	65,968,762
	1,935,454,517	1,837,976,548

7 Contingencies and commitments

7.1 Contingencies

- 7.1.1** The tax department, after conducting Sales Tax and Federal Excise Duty audit of the Company for tax year 2009 passed an order dated 23 May 2012 disallowing zero rating on exports and input tax claims, levying additional tax and penalty amounting to Rs. 12.72 million and Rs. 14.02 million under provisions of Sales Tax and Federal Excise Laws respectively. The Company filed appeal before CIR(A) along with a writ petition before the honourable Lahore High Court (LHC) against the above mentioned order. Both litigations have been decided in favour of the Company. However, both these appellate decisions have been assailed by the tax department at respective forums i.e. through filing of appeal before the ATIR and through filing of an Intra Court Appeal before the the honourable LHC, which are pending adjudication. Before the decision of matter, an amount of Rs. 14.80 million was deposited by the Company under Amnesty Scheme announced vide SRO 548(I)/2012 dated 22 May 2012 which became refundable to the Company in consequence of favorable appellate orders.

- 7.1.2** 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.

- 7.1.3** 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.

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

For the nine month period ended March 31, 2015

7.1.4 The Federal Government vide Notifications dated October 03, 2014 & November 01, 2014 has imposed certain surcharges namely Debt Servicing Surcharge and Universal Obligation Surcharge @ 0.30/KWH & @ 0.60/KWH respectively. The said surcharges were challenged by the Company along with various other stake holders before the honourable Peshawar High Court on various legal grounds, wherein the honourable Court has very graciously allowed stay to the petitioners restraining the PESCO to recover the amounts of surcharges.

7.1.5 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 through filing of writ petition, wherein the honourable court granted stay in favour of the Company on December 20, 2011. Subsequently on June 19, 2014, the stay was vacated by the Court without any decision on the matter enabling the Peshawar Electricity Supply Company to recover entire levy of EQ Surcharge. Since the identical matter has been subjudice before the honourable Lahore High Court, wherein the stay order has been issued by the honourable Court against the NEPRA, the Company has strong belief for a favourable outcome.

7.1.6 The Deputy Commissioner Inland Revenue (DCIR), disallowed Rs. 17 million being reversal of excess output tax paid by the Company on advances received from its dealers and imposed a penalty of Rs. 0.85 million, pertaining to Tax Periods August 2013, October 2013, December 2013, January 2014 and March 2014 without apprehending the facts and legal provisions which do not empower the DCIR to disallow the aforesaid amount. The treatment meted out by the DCIR has been challenged by the Company through filing of appeal before the Commissioner Inland Revenue (Appeals).

7.1.7 The Government of Khyber Pakhtunkhwa (KPK) increased minimum wages of unskilled workers from Rs. 10,000 to Rs. 15,000 with effect from July 01, 2014. The Company along with various other stake holders from KPK filed writ petition before the honourable Peshawar High Court (PHC) against the aforesaid increment, wherein the honourable PHC directed that the Government of KPK to constitute Minimum Wages Board U/S 3 of the KPK Minimum Wages Act, 2013 and till that time the notification increasing the minimum wages to Rs. 15,000 has been suspended.

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) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
7.2 Commitments			
In respect of letter of credit for:			
Capital expenditure		48,612,641	930,155,224
Store and spares items		35,432,025	319,247,212
		84,044,666	1,249,402,436
8 Property, plant and equipment			
Operating fixed assets	8.1	6,557,980,611	6,816,809,387
Capital work in progress - at cost	8.2	1,501,090,345	292,486,030
		8,059,070,956	7,109,295,417

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

For the nine month period ended March 31, 2015

	(Un-audited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
8.1 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	2,698,413	236,504,252
Power installations	–	508,547
Furniture, fixtures and other office equipment	4,509,028	3,309,052
Computer and printers	2,143,711	1,169,499
Weighing scale	–	4,212
Light vehicles	14,034,322	12,713,500
Heavy vehicles	–	4,172,650
Laboratory equipment	356,250	1,157,167
	23,847,074	682,289,879
<i>Less: Disposals during the period / year</i> (written down value)		
Light vehicles	(712,365)	(261,976)
Heavy vehicles	–	(1,057,976)
Furniture, fixtures and other office equipment	(131,157)	–
	(843,522)	(1,319,952)
<i>Less: Depreciation charge for the period / year</i>	(281,832,328)	(371,492,507)
<i>Closing written down value</i>	6,557,980,611	6,816,809,387
8.2 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	1,209,951,360	408,071,273
Less: Transfers to fixed assets during the period / year	(1,347,045)	(218,595,626)
	1,501,090,345	292,486,030

9 Investment property

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

	(Un-audited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
10 Short term investments		
10.1 Available-for-sale		
Equity securities of Gharibwal Cement Limited	51,772,600	74,257,560
Investment in money market mutual funds	–	3,122,913,518
	51,772,600	3,197,171,078
10.2 At fair value through profit or loss		
Investment in mutual funds	3,733,123,005	–
10.3 Loans and receivables		
Investment in term deposit receipts	600,000,000	–
	4,384,895,605	3,197,171,078

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

For the nine month period ended March 31, 2015

		Nine month ended	
		(Un-audited) March 31, 2015 Rupees	(Un-audited) March 31, 2014 Rupees
11	Sales - net		
	Local sales - gross	9,927,323,447	10,163,356,354
	Less: Sales tax	1,640,968,593	1,701,969,803
	Federal excise duty	464,233,440	462,076,000
		2,105,202,033	2,164,045,803
		7,822,121,414	7,999,310,551
	Export sales	1,083,909,219	1,275,580,947
		8,906,030,633	9,274,891,498
	Less: Rebate/ commission on cement sales	110,722,472	112,432,097
		8,795,308,161	9,162,459,401
12	Cost of goods sold		
	Raw materials consumed	324,082,694	327,653,880
	Packing materials consumed	565,301,377	541,326,831
	Fuel and power	1,636,992,362	1,123,915,029
	Coal, gas and furnace oil	2,199,979,165	2,286,730,527
	Stores and spares consumed	208,316,920	140,460,176
	Salaries, wages and other benefits	155,233,680	132,188,471
	Royalty and excise duty	108,654,777	57,301,827
	Rent, rates and taxes	14,890,036	13,293,175
	Repairs and maintenance	46,040,017	35,723,043
	Insurance	14,146,538	12,473,314
	Depreciation	279,610,737	262,496,677
	Other expenses	41,988,026	43,152,604
		5,595,236,329	4,976,715,554
	Opening work-in-process	222,816,490	497,146,264
	Less: Closing work-in-process	141,171,591	111,872,547
		5,676,881,228	5,361,989,271
	Cost of goods manufactured	148,582,344	147,072,010
		5,825,463,572	5,509,061,281
	Less: Closing stock of finished goods	137,020,446	128,260,016
		5,688,443,126	5,380,801,265
	Less: Cost attributable to own cement consumption	12,518,394	51,421
		5,675,924,732	5,380,749,844
13	Other income		
	<i>Income from financial assets</i>		
	Profit/mark-up on bank deposits	97,867,733	59,772,871
	Profit/mark-up on SNGPL Loan	158,771	210,575
	Gain on investment in mutual fund	193,606,089	104,282,064
	Unrealised gain on investment in mutual fund	42,358,607	-
	Dividend received on mutual fund	69,733	-
	Gain on investment in equity securities	23,218,450	4,751,541
	<i>Income from non-financial assets</i>		
	Income from sale of scrap	2,754,818	3,371,057
	Gain on disposal of property, plant and equipment	881,478	331,650
	Exchange fluctuation gain - net	3,339,128	-
	Miscellaneous	431,480	800,732
		364,686,287	173,520,490

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

For the nine month period ended March 31, 2015

	Nine month ended	
	(Un-audited) March 31, 2015 Rupees	(Un-audited) March 31, 2014 Rupees
14 Other expenses		
Donations	7,140,000	1,060,000
Workers' Profit Participation Fund	164,776,950	179,558,080
Workers' Welfare Fund	50,490,309	60,152,761
	222,407,259	240,770,841
15 Taxation		
Current	848,869,997	1,007,809,874
Deferred	(15,979,774)	12,638,694
	832,890,223	1,020,448,568

	Nine month ended	
	(Un-audited) March 31, 2015 Rupees	(Un-audited) March 31, 2014 Rupees
16 Cash and cash equivalents		
Cash and bank balances	1,454,070,919	898,851,411
Term Deposit receipts	600,000,000	600,000,000
	2,054,070,919	1,498,851,411

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 are as follows:

	Nine month ended	
	(Un-audited) March 31, 2015 Rupees	(Un-audited) March 31, 2014 Rupees
Contribution to provident fund	5,219,326	4,471,126
Contribution to Kohat Cement Co. Ltd. Education Trust	614,800	424,122
Palace Enterprises (Pvt) Limited (services received)	145,102	99,048
Remuneration including benefits and perquisites of: Chief Executive and Executive Directors [No. of persons 1 and 1 (March 31, 2014: 1 and 1) respectively]	36,842,400	25,972,988
Other Executives of the Company [No. of persons 22 (March 31, 2014: 12)]	62,375,771	31,148,202

18 General

18.1 These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 09, 2015.

18.2 The Board of Directors of the Company in their meeting held on April 09, 2015 declared 50% interim cash dividend of Rs. 5.00 per share amounting to Rs 772.54 million for the nine months period ended 31 March 2015 (31 March 2014: nil).

18.3 Figures have been rounded off to the nearest rupee.



Chief Executive



Director

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