

1st Quarterly Report

September 30, 2014

HISTORIC EXCELLENCE



 میپل لیف
MAPLE LEAF CEMENT
A Kohinoor Maple Leaf Group Company

ایکدم
SOLID



HISTORIC EXCELLENCE

Mughal architecture with its innate grace, balance, perfect proportions and splendour has created some of the world's timeless architectural gems. These are a tribute to human creativity, ingenuity and aesthetics.

This has been a source of inspiration through the ages and our team works tirelessly to incorporate indigenous with modern methods to help overcome the concerns of contemporary construction.

At Maple Leaf Cement, we take pride in being a pioneer in creating state of the art building materials.

Title painting showing the Mughal emperor Akbar, the ruler is depicted dressed in white in the upper section of the painting where Akbar directs the construction of the royal city of Fathpur ('City of Victory', later known as Fatehpur Sikri) in 1571. Artist/Maker: Tulsī (artist, composition, maker), Bandi (artist, colours and details, maker) and Madhav Khord (portraits, artist).

(Printed with permission of the Victoria and Albert Museum, London, UK)

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COMPANY INFORMATION

Board of Directors

Mr. Tariq Sayeed Saigol	Chairman
Mr. Sayeed Tariq Saigol	Chief Executive
Mr. Taufique Sayeed Saigol	
Mr. Waleed Tariq Saigol	
Mr. Danial Taufique Saigol	
Syed Mohsin Raza Naqvi	
Mr. Zamiruddin Azar	
Mr. Karim Hatim	

Audit Committee

Mr. Karim Hatim	Chairman
Mr. Zamiruddin Azar	Member
Mr. Waleed Tariq Saigol	Member
Mr. Danial Taufique Saigol	Member

Human Resource & Remuneration Committee

Mr. Waleed Tariq Saigol	Chairman
Mr. Zamiruddin Azar	Member
Syed Mohsin Raza Naqvi	Member
Mr. Danial Taufique Saigol	Member

Chief Financial Officer

Syed Mohsin Raza Naqvi

Company Secretary

Mr. Muhammad Ashraf

Chief Internal Auditor

Mr. Bilal Hussain

Bankers of the Company

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Burj Bank Limited
Bank of Khyber Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
First Dawood Islamic Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
Islamic Corporation for the Development
of the Private Sector, Jeddah
KASB Bank Limited
MCB Bank Limited

Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pak-Libya Holding Company (Pvt.) Limited
Pak Oman Investment Company Limited
Saudi Pak Industrial & Agricultural Investment Co. Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
Trust Investment Bank Limited
United Bank Limited

Auditors

KPMG Taseer Hadi & Co.	Chartered Accountants
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Legal Adviser

Mr. Shahid Ismail	Advocate High Court
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Geographical Presence

Registered Office

42-Lawrence Road, Lahore.
Phone: (042) 36278904-5
Fax: (042) 36368721
E-mail: mohsin.naqvi@kmlg.com

Factory

Iskanderabad Distt. Mianwali.
Phone: (0459) 392237-8

Call Centre (24 / 7)

0800-41111

Share Registrar

Vision Consulting Ltd.
Head Office: 3-C, LDA Flats,
Lawrence Road, Lahore
Phone: (042) 36283096-97
Fax: (042) 36312550
E-mail: shares@vcl.com.pk

Company Website:

www.kmlg.com

Note: MLCFL's Financial Statements are also available at the above website.

DIRECTORS' REVIEW

The Directors are pleased to present un-audited financial statements of the Company for the first quarter ended 30th September 2014, in compliance with Section 245 of the Companies Ordinance, 1984.

The Company recorded net sales of Rs. 4,453 million against Rs. 4,192 million in the corresponding period, showing robust growth of 6.23% as compared to the previous period. Strong local demand in spite of floods and political agitation augurs well for the cement sector. Improved prices in the domestic market on account of buoyant demand led to partial absorption of cost increases on the input side. Export volumes and prices however, remained disturbing due to lackluster demand from overseas. In the current quarter, cost increases in packing material and Rupee depreciation have depleted margins. However, to offset these adverse factors, the Company is efficiently utilizing the Waste Heat Recovery Plant along with use of alternative fuels. The Company also benefited from decline in coal prices and lower inland transportation costs through haulage via the railway network. Keeping in view the above factors, rise in gross profit to Rs. 1,579 million in the current quarter as compared to Rs. 1,355 million in the corresponding period, is encouraging.

Operating profits rose to Rs. 1,160 million during the current quarter as compared to Rs.1,049 million in the corresponding period last year. There is a notable decline of 22% in financial charges due to reduction in interest rates, deleveraging and improved cash management. The Company recorded pre-tax profit of Rs. 789 million during the period July-September 2014 against pre-tax profit of Rs. 574 million in the corresponding period last year. However, due to imposition of Alternative Corporate Tax (ACT), a considerable tax provision has had to be made for the period resulting in high effective tax rate of 31% which impacted post tax profit at Rs. 545 million during the period, against Rs. 556 million in the corresponding period last year despite improved performance.

Future Outlook

Going forward, on account of expected higher allocations for public programmes and post flood reconstruction, we expect local sales to improve in the second quarter and it can be reasonably expected this will favourably impact earnings. The Company is determined to explore new export markets to improve capacity utilization. The Afghanistan market is contracting on account of availability of inexpensive Iranian cement which is a worrying factor. However, the improving situation in Afghanistan after formation of the National Unity Government, may result in increase in cement export from Pakistan. Exports to India have also improved due to better demand. Cost reduction efforts continue to be the main focus in all operational areas and the Company has adopted various strategies to reduce cost including use of alternative fuels and optimized operations of the plant. On the cost side, it is expected that coal prices will remain subdued during the current financial year. Rupee

devaluation continues to be a worry and it is hoped that adherence to the covenants of the IMF Programme will lead to stabilization in the macro economic picture which may arrest further depreciation of the Rupee. The Company is paying off Sukuk / Syndicate and other debt obligations at an enhanced pace and is current on all debt obligations supported by improved cash flows and effective cash management.

The Board takes this opportunity to express its deep sense of gratitude and thanks to the shareholders, employees, customers, bankers and other stakeholders for the confidence and faith they have always reposed in us.

For and on behalf of the Board



(Sayeed Tariq Saigol)
Chief Executive

Lahore: October 22, 2014

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2014

	Note	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		7,000,000	7,000,000
Issued, subscribed and paid up capital		5,277,340	5,277,340
Reserves		2,058,137	2,058,137
Accumulated profit		3,015,203	2,414,100
		10,350,680	9,749,577
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	5	4,835,730	4,891,515
NON - CURRENT LIABILITIES			
Long term loans from banking company - secured		440,437	478,615
Redeemable capital - secured		4,983,000	5,583,000
Syndicated term finances - secured		895,500	1,046,000
Liabilities against assets subject to finance lease - secured		731,972	735,090
Long term deposits		6,729	6,879
Deferred taxation		2,328,644	2,208,403
Retirement benefits		78,627	79,654
		9,464,909	10,137,641
CURRENT LIABILITIES			
Current portion of :			
- Long term loans from banking company - secured		192,351	178,388
- Redeemable capital - secured		600,000	600,000
- Syndicated term finances - secured		150,000	150,000
- Liabilities against assets subject to finance lease - secured		114,681	105,333
Trade and other payables		2,612,114	3,305,698
Accrued profit / Interest / markup		161,254	174,625
Short term borrowings	6	2,795,675	2,618,528
		6,626,075	7,132,572
CONTINGENCIES AND COMMITMENTS	7	-	-
		31,277,394	31,911,305

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive Officer


Director

Note	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
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ASSETS

NON - CURRENT ASSETS

Fixed assets	8	24,442,052	24,705,782
Long term Investments		1,625	1,625
Long term loans to employees - secured		6,476	4,440
Long term deposits		54,013	54,013
		24,504,166	24,765,860

CURRENT ASSETS

Stores, spare parts and loose tools		3,804,338	3,772,803
Stock-in-trade		1,002,144	1,151,460
Trade debts	9	842,152	839,037
Loans and advances		730,070	907,509
Short term investments	10	7,650	6,780
Short term deposits and prepayments		132,246	73,680
Accrued profit		385	2,352
Refunds due from Government		16,797	16,797
Other receivables		111,000	97,969
Advance tax - net of provision		-	70,214
Cash and bank balances		126,446	206,844
		6,773,228	7,145,445
		31,277,394	31,911,305



Chief Executive Officer



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	Note	Un-audited September 30, 2014 (Rupees in thousand)	Un-audited September 30, 2013
Sales - net	11	4,453,306	4,191,948
Cost of goods sold		(2,874,595)	(2,837,418)
Gross profit		1,578,711	1,354,530
Distribution cost		(300,108)	(231,737)
Administrative expenses		(90,202)	(66,763)
Other charges		(44,891)	(24,170)
		(435,201)	(322,670)
Other income		16,445	16,718
Profit from operations		1,159,955	1,048,578
Finance cost	12	(370,678)	(474,740)
Profit before taxation		789,277	573,838
Taxation	13	(243,958)	(17,599)
Profit after taxation		545,319	556,239
.....Rupees.....			
Earnings per share - basic and diluted		1.03	1.05

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive Officer


Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	Un-audited September 30, 2014 (Rupees in thousand)	Un-audited September 30, 2013
Profit after taxation	545,319	556,239
Other comprehensive income		
Items that will never be reclassified to profit and loss account:	-	-
Total comprehensive income for the period	545,319	556,239

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	Un-audited September 30, 2014 (Rupees in thousand)	Un-audited September 30, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	789,277	573,838
Adjustments for non - cash items:		
Depreciation	433,734	418,818
Gain on disposal of fixed assets	-	(1,350)
(Gain) / Loss on re - measurement of short term investments at fair value	(870)	1,650
Retirement benefits	3,112	3,404
Finance cost	370,678	474,740
Cash generated from operations before working capital changes	1,595,931	1,471,100
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(31,535)	170,338
Stock-in-trade	149,316	8,235
Trade debts	(3,115)	99,756
Loans and advances	177,439	(160,694)
Short term deposits and prepayments	(58,566)	(45,969)
Accrued profit	1,967	(19)
Other receivables	(13,031)	70,097
	222,475	141,744
Decrease in current liabilities		
Trade and other payables	(693,583)	(329,206)
	(471,108)	(187,462)
Net cash generated from operations	1,124,823	1,283,638
(Increase) / decrease in long term loans to employees - secured	(2,036)	66
Retirements benefits paid	(4,140)	(4,975)
Taxes paid	(53,503)	(59,609)
Net cash generated from operating activities	1,065,144	1,219,120
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(170,004)	(172,585)
Proceeds from disposal of fixed assets	-	1,715
Increase in long term deposits and prepayments	-	(706)
Net cash used in investing activities	(170,004)	(171,576)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loans from banking companies - secured	(25,163)	(204,942)
Redemption of redeemable capital - secured	(600,000)	(232,869)
Repayment of syndicated term finances - secured	(150,500)	(70,250)
Decrease in long term deposits	(150)	(50)
Payment of liabilities against assets subject to finance lease	(27,200)	(41,675)
Acquisition of short term borrowings	177,147	91,004
Finance cost paid	(349,671)	(531,502)
Redemption of preference shares	-	(89,380)
Preference dividend paid	(1)	(1)
Net cash used in financing activities	(975,538)	(1,079,664)
Net decrease in cash and cash equivalents	(80,398)	(32,120)
Cash and cash equivalents - as at beginning of the period	206,844	523,540
Cash and cash equivalents - as at end of the period	126,446	491,420

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	Share Capital	Capital Reserves			Revenue Reserves	Total Equity
		Share premium	Capital redemption reserve	Sub-Total	Accumulated profit	
..... Rupees in thousand						
As at 30 June 2013	5,277,340	1,529,874	528,263	2,058,137	(564,564)	6,770,913
Total comprehensive Income						
Profit for the period ended 30 September 2013	-	-	-	-	556,239	556,239
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	-	63,245	63,245
As at 30 September 2013	5,277,340	1,529,874	528,263	2,058,137	54,920	7,390,397
As at 30 June 2014	5,277,340	1,529,874	528,263	2,058,137	2,414,100	9,749,577
Total comprehensive Income						
Profit for the period ended 30 September 2014	-	-	-	-	545,319	545,319
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	-	55,784	55,784
As at 30 September 2014	5,277,340	1,529,874	528,263	2,058,137	3,015,203	10,350,680

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer



Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

1. REPORTING ENTITY

Maple Leaf Cement Factory Limited (“the Company”) was incorporated in Pakistan on 13 April 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a public company limited by shares. The Company is currently listed on all three stock exchanges of Pakistan. The registered office of the Company is situated at 42-Lawrence Road, Lahore, Pakistan. The cement factory is located at Iskanderabad District Mianwali in the province of Punjab. The principal activity of the Company is production and sale of cement. The Company is a subsidiary of Kohinoor Textile Mills Limited (“the Holding Company”).

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance 1984.

3. BASIS OF PREPARATION

This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2014. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2014 whereas comparative profit and loss account, comparative statement of changes in equity and comparative cash flow statement are stated from un-audited interim financial information for the period ended on September 30, 2013.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2014.

5. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX

	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
Gross Surplus		
As at beginning of period / year	6,608,146	6,956,695
Less:		
Effect of disposal of fixed assets	-	(225)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year	(87,145)	(348,324)
As at end of the period / year	6,521,001	6,608,146
Deferred tax liability on revaluation surplus		
Opening balance of revaluation	1,716,631	1,904,860
Less: transferred to accumulated profit		
Effect of disposal of fixed assets	-	(62)
Incremental depreciation charged on related assets	(31,360)	(188,167)
As at end of the period / year	1,685,271	1,716,631
	4,835,730	4,891,515

	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
6. SHORT TERM BORROWINGS		
From banking companies		
Cash and running finances - secured	2,750,063	2,520,383
Temporary bank overdrafts - unsecured	45,612	98,145
	<u>2,795,675</u>	<u>2,618,528</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no significant change in the status of contingencies as reported in the preceding published annual financial statement of the company for the year ended 30 June 2014.

	Note	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
7.2 Commitments			
7.2.1 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the company to various institutions and corporate bodies		399,707	399,710
7.2.2 Commitments against capital expenditures		24,978	2,559
7.2.3 Commitments against irrevocable letter of credit - others spare parts		226,548	208,761
		<u>651,233</u>	<u>611,029</u>
8. FIXED ASSETS			
Operating fixed assets	8.1	24,365,632	24,661,336
Capital work in progress - at cost	8.2	76,420	44,446
		<u>24,442,052</u>	<u>24,705,782</u>
8.1 Operating assets			
Balance at beginning of the period / year		24,661,336	25,542,553
Add:			
Additions during the period / year	8.1.1	138,030	811,962
		<u>24,799,366</u>	<u>26,354,515</u>
Less:			
Book value of operating assets disposed - off during the period / year		-	2,932
Depreciation charge during the period / year		433,734	1,690,247
		<u>24,365,632</u>	<u>24,661,336</u>

Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
-------------------------------------------------------------	-----------------------------

8.1.1 Additions during the period / year:

- freehold land	-	3,100
- buildings on freehold land	24,054	69,839
- plant & machinery	94,512	663,338
- furniture, fixtures and equipment	8,970	59,666
- roads, bridges and railway sidings	-	1,000
- quarry equipment	-	1,879
- vehicles	10,494	13,140
	138,030	811,962

8.2 Capital work in progress

Tangible Assets

Plant & machinery	56,771	33,856
Unallocated capital expenditures	1,001	1,001
Advances to suppliers against:		
- purchase of land	2,000	2,000
- furniture and fixtures	-	-
- plant & machinery	3,199	2,310
- vehicle	13,449	5,279
	76,420	44,446

9. TRADE DEBTS

Considered good		
Export - secured	94,760	76,993
Local - unsecured	747,392	762,044
Considered doubtful	842,152	839,037
Local - unsecured	8,580	13,046
Less : provision for doubtful debts	(8,580)	(8,580)
Less : trade debts written off	-	(4,466)
	842,152	839,037

	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
10. SHORT TERM INVESTMENTS		
At fair value through profit or loss - quoted		
Next Capital Limited		
1,500,000 (30 June 2014: 1,500,000) ordinary shares of Rs 10 each	15,000	15,000
Unrealized fair value loss		
As at beginning of the period / year	8,220	7,650
Fair value (gain) / loss for the period / year	(870)	570
As at end of the period / year	7,350	8,220
	7,650	6,780
11. SALES - NET		
Local Sales:		
Gross	4,658,768	4,191,074
Less:		
Federal Excise Duty	201,271	178,592
Sales Tax	768,385	701,830
Commission	31,288	27,936
	1,000,944	908,358
Net Local Sales	3,657,824	3,282,716
Export Sales	795,482	909,232
	4,453,306	4,191,948
12. FINANCE COST		
Profit / Interest / Markup on long term loans, finances, redeemable capital and short term finances	304,965	340,377
Exchange loss	59,922	123,526
Realized loss on derivative cross currency interest rate swap agreement	-	1,152
Bank charges	5,791	9,685
	370,678	474,740

	Note	Three month ended (Un-audited) September 30, 2014 September 30, 2013 (Rupees in thousand)	
13. TAXATION			
Current Tax	13.1	123,717	42,151
Deferred Tax		120,241	(24,552)
		<u>243,958</u>	<u>17,599</u>

- 13.1** The tax provision is charged by considering the provision of section 113, 113C and other tax credits available under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and capital gains which is full and final discharge of Company's tax liability in respect of income arising from such source.

14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the holding company, associated companies, directors, key management personnel and employee benefits funds. The Company in the normal course of business carries-out transactions with various related parties. Amounts due to holding company is shown under trade and other payables . Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transaction	Three month ended (Un-audited) September 30, 2014 September 30, 2013 (Rupees in thousand)	
Holding Company			
	- Sale of goods and services	6,404	155
Key Management Personnel			
	- Remuneration and other benefits	48,553	29,573

15. 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 22 October 2014.

16. GENERAL

Figures have been rounded off to the nearest thousand Rupees except stated otherwise.


Chief Executive Officer


Director



مپل لیف



MAPLE LEAF CEMENT

42 Lawrence Road, Lahore. Pakistan