

3rd Quarter Report

(Un-Audited)

March 31, 2012



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

Board of Directors

Mr. Aizaz Mansoor Sheikh
Chief Executive

Mr. Nadeem Atta Sheikh
Mrs. Ghazala Amjad
Mrs. Hafsa Nadeem
Mr. Omer Aizaz Sheikh
Mr. Ibrahim Tanseer Sheikh
Mr. M. Atta Tanseer Sheikh

Audit Committee

Mr. Ibrahim Tanseer Sheikh
Chairman

Mr. Omer Aizaz Sheikh
Mr. M. Atta Tanseer Sheikh

Company Secretary

Mr. Usman Khalil

Legal Advisor

Qazi Waheed-ud-Din

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar

AZM Computers (Pvt.) Limited
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Registered Office and Works

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E-mail: finance@kohatcement.com

Head Office

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E-mail: mis@kohatcement.com

Bankers of the Company

Standard Chartered Bank (Pak) Ltd.
The Bank of Khyber
Askari Bank Limited
Soneri Bank Limited
National Bank of Pakistan
KASB Bank Limited
The Bank of Punjab
Bank Alfalah Limited
MCB Bank Limited
Allied Bank Limited
United Bank Limited



DIRECTORS' REVIEW REPORT

The Directors of Kohat Cement Company Limited feel pleasure to present the interim financial statements of your Company for the 3rd quarter and nine month period ended on 31st March 2012.

Market Review

During the nine (09) months of FY 2011-12 local dispatches of cement sector have increased by 8.40% while exports have declined by 7.77% compared to the corresponding period last year. Overall growth in sales volume for the period has been recorded at 3.6%. However, Sales volumes of your company during the nine months have increased by 14.9%, which is well above par.

Production and Sales Volumes

Production and sales volumes for the period are as follows:

	January-March		July-March	
	2012	2011	2012	2011
	(Quantities in M Tonnes)		(Quantities in M Tonnes)	
Clinker Production	398,068	430,874	1,110,856	1,132,545
Cement Dispatches	432,294	399,941	1,216,927	1,058,977

Financial Performance

During the nine-month period under review the net sales have increased by 58% and the Company has earned a net profit of Rs. one billion after accounting for depreciation of Rs. 258.03 million and provision for taxation of Rs. 247.7 million. This represents an EPS of Rs. 7.77 for the period. Financial results are summarized below:

	January-March		July-March	
	2012	2011	2012	2011
	(Rupees in Thousands)		(Rupees in Thousands)	
Net Sales Revenue	2,462,757	1,621,664	6,536,925	4,137,561
Gross Profit	794,369	241,158	1,843,066	556,046
Net Profit / (Loss) after taxation	445,894	13,595	1,000,617	(61,118)
Earnings / (Loss) per share (Rs.)	3.46	0.11	7.77	(0.47)

Debt Obligations

The Company is current with its debt obligations. In addition to the scheduled payments of Rs. 606.87 million, Company has also pre-paid long-term debt of Rs. 785.05 million during the nine months period under review.

On Going Projects

In order to reduce dependence on imported coal, the management is working on alternate fuel project, which will help reduce the energy cost. This project will hopefully be implemented in the next fiscal year.

Future outlook

Domestic demand for cement is expected to increase in the election year. The management will remain focused on efficient operations, control of costs and expeditious implementation of alternate energy project.

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



Chief Executive

Lahore : April 14, 2012



Condensed Interim Balance Sheet (Un-audited)

	Note	(un-audited) March 31, 2012 Rupees	(audited) June 30, 2011 Rupees
SHARE CAPITAL AND RESERVES			
Authorised share capital		<u>1,500,000,000</u>	<u>1,500,000,000</u>
Issued, subscribed and paid up capital		1,287,572,410	1,287,572,410
Reserves		80,464,077	129,409,009
Accumulated profit		<u>1,686,452,082</u>	<u>685,834,718</u>
		3,054,488,569	2,102,816,137
NON CURRENT LIABILITIES			
Long term finances - secured	4	<u>1,658,500,000</u>	3,536,870,000
Long term security deposits and retention money		168,023,225	163,656,829
Derivative financial liabilities	5	-	187,420,429
Deferred liabilities	6	<u>1,097,601,476</u>	323,097,976
		2,924,124,701	4,211,045,234
CURRENT LIABILITIES			
Trade and other payables		<u>784,663,859</u>	973,628,527
Mark up payable on secured loans		87,823,912	433,182,170
Short term finances - secured		1,186,333,702	1,363,678,773
Derivative financial liabilities	5	191,030,238	-
Current portion of non-current liabilities	4	<u>526,500,000</u>	40,050,000
		2,776,351,711	2,810,539,470
CONTINGENCIES AND COMMITMENTS			
	7	-	-
		<u>8,754,964,981</u>	<u>9,124,400,841</u>

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.



Chief Executive



As at March 31, 2012

	Note	(un-audited) March. 31, 2012 Rupees	(audited) June 30, 2011 Rupees
NON CURRENT ASSETS			
Operating fixed assets	8	6,895,875,897	7,140,840,908
Capital work-in-progress		89,501,024	-
Intangible assets		2,249,480	2,355,963
Long term loans and advances		25,288,982	23,706,054
Long term deposits		3,879,440	3,879,440
		7,016,794,823	7,170,782,365
CURRENT ASSETS			
Stores, spares and loose tools	9	614,077,951	850,571,198
Stock in trade		538,973,057	507,527,333
Trade debts		11,790,006	12,567,298
Investment		25,392,000	36,156,000
Advances, deposits, prepayments and other receivables		423,866,982	506,114,913
Cash and bank balances		124,070,162	40,681,734
		1,738,170,158	1,953,618,476
		8,754,964,981	9,124,400,841


Director



Condensed Interim Profit and Loss Account (Un-audited)
For the Quarter and Nine Month Period ended March 31, 2012

	3rd Quarter (Jan-Mar)		Nine Months (July-Mar)	
	2012 (Rupees)	2011 (Rupees)	2012 (Rupees)	2011 (Rupees)
Note				
Sales - net	2,462,757,615	1,621,664,580	6,536,925,138	4,137,561,909
Cost of goods sold	1,668,387,890	1,380,505,922	4,693,858,514	3,581,515,513
Gross profit	794,369,725	241,158,658	1,843,066,624	556,046,396
Selling and distribution cost	12,832,475	10,510,182	34,194,521	26,395,515
Administrative and general expenses	19,532,745	11,375,849	50,210,344	33,543,662
Other operating expenses	32,139,880	3,573,245	66,695,783	10,267,997
Other operating income	(2,546,610)	(1,029,235)	(19,481,405)	(17,578,935)
	61,958,490	24,430,041	131,619,243	52,628,239
Operating profit	732,411,235	216,728,617	1,711,447,381	503,418,157
Finance cost	122,587,918	184,324,224	463,111,914	521,249,845
Profit / (Loss) before taxation	609,823,317	32,404,393	1,248,335,467	(17,831,688)
Taxation	10 163,929,183	18,808,871	247,718,103	43,287,169
Profit / (Loss) after taxation	445,894,134	13,595,522	1,000,617,364	(61,118,857)
Earnings / (Loss) per share (basic and diluted)	3.46	0.11	7.77	(0.47)

The attached notes 1 to 15 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, 2012

	3rd Quarter (Jan-Mar)		Nine Months (July-Mar)	
	2012	2011	2012	2011
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Profit / (Loss) after taxation	445,894,134	13,595,522	1,000,617,364	(61,118,857)
Other Comprehensive income				
Available for sale financial assets				
Change in fair value	(276,000)	-	(10,764,000)	-
Cash flow hedge				
Fair value adjustment of cash flow hedge	(26,085,290)	(5,221,205)	(60,301,589)	950,412
Re-pricing settlement received from cash flow hedge	26,691,780	25,999,108	54,844,039	51,055,680
Deferred tax on cash flow hedge	114,962	1,846,283	(32,723,382)	(64,059)
	721,452	22,624,186	(38,180,932)	51,942,033
Other comprehensive income/(loss) - net of tax	445,452	22,624,186	(48,944,932)	51,942,033
Total comprehensive income/(loss) for the period	446,339,586	36,219,708	951,672,432	(9,176,824)

The attached notes 1 to 15 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, 2012**

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	11	2,084,245,882	613,737,481
Finance cost paid		(244,104,029)	(347,839,585)
Re-pricing settlement received from cash flow hedge		54,844,039	51,055,680
Contribution to retirement benefits		(15,371,047)	(446,572)
Compensated absences paid		396,739	(324,582)
Income tax paid		(70,662,255)	(49,666,788)
Net cash inflow from operating activities		1,809,349,329	266,515,634
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(103,958,232)	(46,443,645)
Intangible assets		-	(446,700)
Sale proceeds of property, plant and equipment		1,869,134	5,771,072
Profit on bank deposits		3,272,242	1,759,452
Decrease in long term loans and advances		(1,187,194)	(783,348)
Net cash used in investing activities		(100,004,050)	(40,143,169)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayment)/ Proceeds from import finances-net		(153,946,609)	1,012,743
Payment in reserve build for settlement of derivative liability		(56,691,780)	-
Repayments of long term finances		(1,391,920,000)	(34,649,998)
Repayment of finance lease liabilities		-	(1,486,715)
Proceeds from export refinance		200,000,000	-
Dividend paid		-	(2,295)
Net cash outflow from financing activities		(1,402,558,389)	(35,126,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS		306,786,890	191,246,200
CASH AND CASH EQUIVALENTS			
- at the beginning of the period		(722,174,684)	(914,486,523)
CASH AND CASH EQUIVALENTS - at the end of the period 12		(415,387,794)	(723,240,323)

The attached notes 1 to 15 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, 2012

	Share Capital	Share Premium	General Reserve	Fair Value Reserve Rupees	Hedging Reserve	Accumulated Profit	Total
Balance as at 30 June 2010	1,287,572,410	49,704,951	70,000,000	-	(68,426,237)	622,118,747	1,960,969,871
Total comprehensive loss for the Nine Month Period ended March 31, 2011	-	-	-	-	51,942,033	(61,118,857)	(9,176,824)
Balance as at March 31, 2011	<u>1,287,572,410</u>	<u>49,704,951</u>	<u>70,000,000</u>	<u>-</u>	<u>(16,484,204)</u>	<u>560,999,890</u>	<u>1,951,793,047</u>
Balance as at 30 June 2011	1,287,572,410	49,704,951	70,000,000	15,987,900	(6,283,842)	685,834,718	2,102,816,137
Total comprehensive profit for the Nine Month Period ended March 31, 2012	-	-	-	(10,764,000)	(38,180,932)	1,000,617,364	951,672,432
Balance as at March 31, 2012	<u>1,287,572,410</u>	<u>49,704,951</u>	<u>70,000,000</u>	<u>5,223,900</u>	<u>(44,464,774)</u>	<u>1,686,452,082</u>	<u>3,054,488,569</u>

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Notes to the Condensed Interim Financial Statements (Un-audited) For the Quarter and Nine Month Period ended March 31, 2012

1 Basis of preparation

These condensed interim financial statements comprise the balance sheet of Kohat Cement Company Limited ("the Company"), as at 31 March 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof.

The condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984. 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 annual financial statements as at and for the year ended 30 June 2011.

2 Statement of consistency in accounting policies

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial statements are the same as those applied in preparation of financial statements for the preceding year ended 30 June 2011

3 Significant 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 and related disclosures at the date of financial statements. 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
- Derivative financial instruments

	Note	March 31, 2012 (Rupees)	June 30, 2011 (Rupees)
4. LONG TERM FINANCES - SECURED			
Standard Chartered Bank (Pakistan) Limited	4.1	-	62,600,000
Redeemable capital - Sukuk Certificates Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited	4.2	1,085,000,000	2,414,320,000
		<u>1,100,000,000</u>	<u>1,100,000,000</u>
		<u>2,185,000,000</u>	<u>3,576,920,000</u>
Less: Current maturity shown under current liabilities		<u>526,500,000</u>	<u>40,050,000</u>
		<u>1,658,500,000</u>	<u>3,536,870,000</u>

4.1 This has been fully repaid during the period.

4.2 This facility has been restructured during the period. According to the revised terms four quarterly installments starting 20 September 2011 and ending on 20 June 2012 aggregating to PKR 760 million are to be adjusted towards principal only whereas markup for the said period has been deferred. The Company has repaid PKR 1,329.32 million upto 31 March 2012 including pre-payments of Rs 750 million. Entire facility shall now be paid off by 20 September 2016. Deferred markup on installments due by 20 June 2012 shall be paid in eight quarterly installments commencing from 20 September 2014. This includes the markup amounting to PKR 401 million deferred during the previous year. Further, the markup rate has been reduced from 3 month kibar plus 1.8% to 3 month kibar plus 1.5%. All other terms shall remain the same.

5. DERIVATIVE FINANCIAL LIABILITIES

The derivative instrument (Cross Currency Swap) shall mature on 20 September 2012 and is net of Rs. 56.692 million being the reserve created for settlement of this liability.



	March 31, 2012 (Rupees)	June 30, 2011 (Rupees)
6. DEFERRED LIABILITIES - secured		
Staff retirement benefits	-	6,730,932
Compensated absences	5,290,989	2,120,361
Deferred taxation	216,820,677	2,750,638
Deferred markup	875,489,810	311,496,045
6.1	<u>1,097,601,476</u>	<u>323,097,976</u>
6.1 Deferred markup on:		
Sukuk Certificates	633,162,575	52,139,632
Syndicated Term Finance	<u>242,327,235</u>	<u>259,356,413</u>
	<u>875,489,810</u>	<u>311,496,045</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- a) An application has been filed by some shareholders and one director of the Company before the Securities and Exchange Commission of Pakistan (the "Commission") praying for investigation into the affairs of the Company and the Commission has issued a show cause notice dated 27 July 2011, to the Company and all its directors. Responding to the notice, the management has strongly denied all the baseless, false and frivolous allegations leveled in the application and has further challenged the said notice before the Honourable Lahore High Court, Lahore (LHC). The LHC has stayed the proceedings till the next date of hearing. As per legal counsel of the Company, the application has no financial exposure to the Company.
- b) Peshawar Electric Supply Company (PESCO) has charged an amount of Rs.48.419 million as arrears on account of fuel price adjustment in the electricity bills of January 2012 and February 2012 pertaining to the period January 2011 to May 2011. The Company has challenged this levy in the honorable Islamabad High Court whereby a stay has been granted in its favour. As the management is hopeful for a favourable outcome, therefore no provision against the above demand has been made in these condensed interim financial statements.

Other than the above mentioned matters, there is no material change in the contingent liabilities of the Company since the last annual balance sheet date.

7.2 Commitments in respect of:

Contracts/LCs for other than capital expenditure

630,162,255

78,603,606

8. PROPERTY, PLANT AND EQUIPMENT

Opening written down value

7,140,840,908

6,368,030,446

Additions (Cost)

Factory building	-	328,864,501
Office and other building	-	228,440
Plant, machinery and equipment	7,650,733	732,758,268
Storage tanks and pipelines	-	12,961,202
Power installations	-	742,400
Furniture, fixtures and office equipment	1,715,021	2,248,358
Computers and printers	2,524,105	2,805,076
Light vehicles	1,955,800	5,713,201
Heavy vehicles	-	155,440
Weighing Scales	51,000	-
Laboratory equipments	48,500	1,689,298
	<u>13,945,159</u>	<u>1,088,166,185</u>

Disposals (Net book value)

Light vehicles	(148,588)	(2,252,359)
Heavy vehicles	-	(2,086,198)
Furniture, fixtures and office equipment	(5,073)	-
Plant, machinery and equipment	(726,483)	(454,363)
	<u>(880,144)</u>	<u>(4,792,920)</u>
Depreciation charge for the period	(258,030,026)	(310,562,802)
Closing written down value	<u>6,895,875,897</u>	<u>7,140,840,908</u>

9. Stores, spares and loose tools

This includes store in transit amounting PKR 117.844 million (30 June 2011: PKR 415.3 million).

	July 11 to March 12 (Rupees)	July 10 to March 11 (Rupees)
10. TAXATION		
Current	66,371,446	42,880,799
Deferred	<u>181,346,657</u>	<u>406,370</u>
	<u>247,718,103</u>	<u>43,287,169</u>
11. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	1,248,335,467	(17,831,688)
Adjustments for non-cash expenses and other items:		
Depreciation on property, plant and equipment	258,030,026	253,400,303
Amortization on intangible assets	618,530	493,517
Profit on sale of property, plant and equipments	(988,990)	(1,000,682)
Profit/mark-up on bank deposit	(3,272,239)	(1,759,452)
Staff retirement benefits	8,640,115	877,815
Compensated absences	2,773,890	185,410
Exchange fluctuation loss/ (gain)	(8,056,160)	6,122,235
Finance cost	463,111,914	521,249,845
	<u>720,857,086</u>	<u>779,568,991</u>
	<u>1,969,192,553</u>	<u>761,737,303</u>
(Increase)/decrease in current assets:		
Stores, spares and loose tools	236,493,247	52,066,017
Stock in trade	(31,445,724)	(681,927,906)
Trade debts	777,292	10,174,756
Advances, deposits, prepayments and other receivables	98,508,248	(27,493,229)
Increase/(decrease) in current liabilities		
Trade and other payables	(189,279,734)	499,180,540
	<u>115,053,329</u>	<u>(147,999,822)</u>
	<u>2,084,245,882</u>	<u>613,737,481</u>
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	124,070,162	75,635,140
Short term running finances	<u>(539,457,956)</u>	<u>(798,875,463)</u>
	<u>(415,387,794)</u>	<u>(723,240,323)</u>
13. TRANSACTION WITH RELATED PARTIES		
There are no significant transactions with related parties during the period.		
14. DATE OF AUTHORIZATION FOR ISSUE		
These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 14, 2012.		
15. CORRESPONDING FIGURES		
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangement have been made.		



Chief Executive



Director





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