

SEPTMBER 30, 2004

1st Quarter Report
(Un-Audited)



**KOHAT
CEMENT**

**KOHAT CEMENT
COMPANY LIMITED**



COMPANY INFORMATION

Board of Directors

Mr. Atta Mohammad Sheikh
Chairman

Mr. Aizaz Mansoor Sheikh
Chief Executive

Mr. Nadeem Atta Sheikh

Mr. Tariq Atta Sheikh

Mr. Omer Aizaz Sheikh

Mrs. Ghazala Amjad

Mrs. Hafsa Nadeem

Audit Committee

Mr. Tariq Atta Sheikh
Chairman

Mr. Aizaz Mansoor Sheikh

Mr. Omer Aizaz Sheikh

Mrs. Ghazala Amjad

Company Secretary

Mr. Mohammad Hashim Khan

Legal Advisor

Qazi Waheed -ud-Din

Auditors

Taseer Hadi Khalid & Co.

Chartered Accountants

Registered Office and Works

Kohat Cement Company Limited

Rawalpindi Road, Kohat.

Tel: (0922) 560401-3

Fax: (0922) 560405

Telex: 52431 KCCL PK.

Head Office

64-E-1/D, Gulberg-III, Lahore.

Tel: (042) 5754358, 5758649

Fax: (042) 5754084

E. Mail: kccl@wol.net.pk

Bankers of the Company

Union Bank Limited

The Bank of Khyber

Saudi Pak Commercial Bank Limited

Askari Commercial Bank Limited

United Bank Limited

Muslim Commercial Bank Limited

National Bank of Pakistan

Prime Commercial Bank Limited

Allied Bank of Pakistan Limited

Share Deptt.

AZM Computer Services (Pvt.) Limited

24-Ferozepur Road,

Mozang Chungi, Lahore.

Tel: (042) 7552269

Fax: (042) 7576129



DIRECTOR'S REVIEW

On behalf of Board of Directors, we feel pleasure in presenting the un-audited financial results of your Company for the 1st quarter ended September 30, 2004.

Production and sales The production and sales data for the 1st quarter is as under:

	2004 Tonnes	2003 Tonnes
Production		
- Clinker	135,795	134,171
- Cement	141,597	137,057
Cement dispatches		
- Local	119,514	101,584
- Export	18,040	33,556
Total	137,554	135,140
Capacity utilization (%age)		
- Clinker	100.6	99.4
- Cement	99.9	96.7

Operating Results - The operating results for the 1st quarter are as under:

	2004 Rupees	2003 Rupees
Net sales revenue	405,286,051	339,270,769
Pre-tax profit	136,512,976	96,286,380
Taxation	(46,025,994)	(31,511,617)
After tax profit	90,486,982	64,774,763
Earnings per share	2.75	1.97

The increase in export prices of cement to Afghanistan and stable local prices were the key factors of the increased profitability during the quarter under review.

Export The Company could not take advantage of growing demand of cement from Afghanistan due to its limited production capacity. The exports to Afghanistan dropped to 18,040 Tonnes in the current quarter from 33,556 Tonnes in corresponding quarter last year representing a decrease of 46%.

Debt Obligations: The Company is current with its debt obligations.

Future prospects In the light of present healthy macro-economic factors, robust activity in the housing sector, prospects of continued exports to Afghanistan and government's ambitious plans to develop and construct water reservoirs and dams, the management foresees the continuous healthy growth in the demand of cement.

Significant plans and decisions:

- **White cement project** - Civil works and erection for the new White Cement Plant are nearing completion. *Inshallah* the Plant will go in production during 1st quarter of 2005.
- **New grey cement line** Negotiations for supply of plant and machinery for the new grey cement line with a clinker capacity of 6,000 TPD is in final stages, whereas the financing arrangements of the project are also being finalized.
- **Management employees' relations** Relations between management and employees have been cordial and mutually supportive.

For and on behalf of the Board

Lahore: October 27, 2004

AIZAZ MANSOOR SHEIKH
CHIEF EXECUTIVE



BALANCE SHEET AS AT SEPTEMBER 30, 2004 (UN-AUDITED)

	Note	Un-audited September 30, 2004 (Rupees)	Audited June 30, 2004 (Rupees)
LIABILITIES			
Share Capital and Reserves			
Authorized Share Capital			
50,000,000 ordinary shares of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up share capital			
32,900,001 ordinary shares of Rs. 10 each		329,000,010	329,000,010
Reserves		326,620,033	326,620,033
Unappropriated profit		<u>130,097,939</u>	<u>39,610,957</u>
		785,717,982	695,231,000
LONG TERM LOANS - SECURED		113,348,330	133,048,330
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE		51,305,677	56,282,172
LONG TERM SECURITY DEPOSITS		1,746,056	1,846,056
DEFERRED LIABILITIES			
Deferred taxation		102,434,395	100,558,395
Staff benefits - earned leaves		<u>5,130,899</u>	<u>5,031,164</u>
		107,565,294	105,589,559
CURRENT LIABILITIES			
Current portion of long term loans - secured		53,800,000	41,300,000
Current portion of liabilities against assets subject to finance lease		28,245,267	26,949,946
Short term borrowings - secured		15,974,958	58,477,626
Creditors, accrued and other liabilities		153,368,275	154,733,235
Provision for taxation		174,576,983	149,046,548
Dividend payable		<u>450,402</u>	<u>452,547</u>
		426,415,885	430,959,902
CONTINGENCIES AND COMMITMENTS	5	<u>1,486,099,224</u>	<u>1,422,957,019</u>
ASSETS			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets		598,848,363	603,032,810
Capital work-in-progress		205,377,464	178,169,534
Stores and spares held for capital expenditure		<u>131,179,069</u>	<u>124,267,150</u>
		935,404,896	905,469,494
LONG TERM LOANS AND ADVANCES		3,094,007	2,943,180
LONG TERM DEPOSITS		16,151,930	14,952,130
STAFF RETIREMENT BENEFITS		1,097,189	1,097,189
CURRENT ASSETS			
Stores, spares and loose tools		92,249,345	87,617,242
Stock in trade		25,193,427	15,100,336
Trade debtors		27,710,325	25,986,269
Advances, deposits, prepayments and other receivables		249,142,915	201,691,665
Cash and bank balances		<u>136,055,190</u>	<u>168,099,514</u>
		530,351,202	498,495,026
		<u>1,486,099,224</u>	<u>1,422,957,019</u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2004**

	2004 (Rupees)	2003 (Rupees)
Sales	405,286,051	339,270,769
Cost of goods sold	242,778,364	218,330,909
GROSS PROFIT	162,507,687	120,939,860
Administrative and general expenses	8,297,601	7,120,114
Selling expenses	3,022,658	2,550,789
	11,320,259	9,670,903
OPERATING PROFIT	151,187,428	111,268,957
Other income	1,926,430	115,264
	153,113,858	111,384,221
Financial charges	6,716,895	8,133,508
	146,396,963	103,250,713
Contribution towards:		
- workers' profit participation fund	7,343,583	5,167,014
- workers' welfare fund	2,540,404	1,797,319
	9,883,987	6,964,333
PROFIT BEFORE TAXATION	136,512,976	96,286,380
Taxation	46,025,994	31,511,617
PROFIT AFTER TAXATION	90,486,982	64,774,763
Unappropriated profit - brought forward	39,610,957	10,153,710
Unappropriated profit - carried To balance sheet	130,097,939	74,928,473
Earnings per share	2.75	1.97

The annexed notes form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2004**

	Note	2004 (Rupees)	2003 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		136,512,976	96,286,380
Adjustments for non cash charges and others:			
Depreciation on operating fixed assets		15,404,268	16,496,808
Reversal of depreciation on quarry equipment		(1,296,000)	-
Provision for earned leave		160,518	72,126
Profit/mark-up on bank deposits		(323,258)	(82,379)
Financial charges		6,716,895	8,133,508
		<u>20,662,423</u>	<u>24,620,063</u>
		157,175,399	120,906,443
Effect on cash flows due to working capital changes:			
(Increase)/decrease in stores, spares and loose tools		(4,632,103)	21,580,305
Increase in stock in trade		(10,093,091)	(1,826,723)
Increase in trade debtors		(1,724,056)	(8,433,309)
Increase in advances, deposits, prepayments and other receivables		(59,918,031)	(18,159,751)
Increase in creditors, accruals and other liabilities		2,137,957	36,874,180
		<u>(74,229,324)</u>	<u>30,034,702</u>
Cash generated from operations		82,946,075	150,941,145
Financial charges paid		(6,619,812)	(6,078,635)
Income tax paid/deducted at source		(6,902,181)	(25,973,786)
Earned leave paid		(60,783)	(105,453)
Net decrease in long term loans and advances		255,397	3,090,353
Net decrease in long term security deposits		(100,000)	(42,500)
Net cash inflow from operating activities		<u>69,518,696</u>	<u>121,831,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(44,693,670)	(10,671,065)
Fixed assets		50,000	-
Profit on bank deposits		666,437	619,301
Net increase in long term deposits		(1,199,800)	(220,700)
Net cash outflow from investing activities		<u>(45,177,033)</u>	<u>(10,272,464)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(6,681,174)	(6,467,702)
Repayment of long term finance		(7,200,000)	-
Dividend paid		(2,145)	(4,647,718)
Net cash outflow from financing activities		<u>(13,883,319)</u>	<u>(11,115,420)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>10,458,344</u>	<u>100,443,240</u>
CASH AND CASH EQUIVALENTS - at the beginning of the period		109,621,888	(11,736,012)
CASH AND CASH EQUIVALENTS - at the end of the period		<u>120,080,232</u>	<u>88,707,228</u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2004**

Particulars	(Rupees)					
	Share Capital	Share Premium	Reserve for issue of bonus shares	General Reserve	Unappropriated Profit	Total
Balance as at June 30, 2003	219,333,340	92,120,028	109,666,670	70,000,000	10,153,710	501,273,748
Profit for the quarter ended September 30, 2003	-	-	-	-	64,774,763	64,774,763
Balance as at September 30, 2003	219,333,340	92,120,028	109,666,670	70,000,000	74,928,473	566,048,511
Balance as at June 30, 2004	329,000,010	92,120,028	164,500,005	70,000,000	39,610,967	695,231,000
Profit for the quarter ended September 30, 2004	-	-	-	-	90,486,982	90,486,982
Balance as at September 30, 2004	329,000,010	92,120,028	164,500,005	70,000,000	130,097,939	785,717,982

The annexed notes form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2004**

1 - THE COMPANY AND ITS OPERATIONS

The company is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on all Stock Exchanges of Pakistan. The company is engaged in the production and sale of Grey cement.

2 - STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of International Accounting Standard, IAS-34 "Interim Financial Reporting". These financial statements are un-audited and are being submitted to shareholders in compliance with the requirements of Section 245 of the Companies Ordinance, 1984.

3 - STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these accounts are the same as those applied in preparation of accounts for the preceding financial year ended June 30, 2004.

4 - Provision for taxation is estimated only and final liability will be determined on the basis of annual results.

5 - CONTINGENCIES AND COMMITMENTS

5.1 - Contingencies

There is no significant change in the contingent liabilities of the company since the last annual balance sheet date.

5.2 - Commitments in respect of:

	Un-audited, September 30, 2004 (Rupees)	Audited, June 30, 2004 (Rupees)
Confirmed Letters of Credit for:		
a) Capital expenditure.	12,833,811	32,231,691
b) Purchase of stores	48,044,910	36,788,375

6 - DATE OF AUTHORIZATION

These un-audited first quarter condensed financial statements were authorized for issue by the Board of Directors of the Company on September 27, 2004.


CHIEF EXECUTIVE


DIRECTOR

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KOHAT CEMENT COMPANY LIMITED

House No. 64-E1/D, Gulberg - III, Lahore.