

1ST QUARTER REPORT
(UN-AUDITED)
SEPTEMBER 30, 2005



KOHAT CEMENT
COMPANY LIMITED

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
Mrs. Ghazala Amjad

Company Secretary

Mr. Mohammad Hashim Khan

Legal Advisor

Qazi Waheed -ud-Din

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Share Deptt.

AZM Computer Services (Pvt.)
Limited
24-Ferozepur Road,
Mozang Chungi, Lahore.
Tel: (042) 7552269
Fax: (042) 7576129

Registered Office and Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.
Tel: (0922) 560401-3
Fax: (0922) 560405
Telex: 52431 KCCL PK.
E-mail: finance@kohatcement.com

Head Office

64-E-1/D, Gulberg-III, Lahore.
Tel: (042) 5754358, 5758649
Fax: (042) 5754084
E-mail: mis@kohatcement.com

Bankers of the Company

Union Bank Limited
The Bank of Khyber
National Bank of Pakistan
PICIC Commercial Bank Limited
Bank Alfalah Limited
Bank of Punjab
Allied Bank Limited
Askari Commercial Bank Limited
KASB Bank Limited
Saudi Pak Commercial Bank Limited
Bank Al-Habib Limited
Soneri Bank Limited
First Women Bank Limited
Prime Commercial Bank Limited
Muslim Commercial Bank Limited
Crescent Commercial Bank Limited

Kohat Cement Company Limited.

Directors' Review

Your Directors take pleasure in presenting un-audited financial statements of the Company for the 1st quarter ended on September 30, 2005 of the current financial year.

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

	2005 Tones	2004 Tones
Production		
- Clinker	126,880	135,795
- Cement	137,978	141,597
Cement Sales		
- Local	87,324	119,514
- Export	50,724	18,040
- Total	138,048	137,554

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

	2005	2004
	Rupees '000'	
Net Sales Revenue	548,341	405,286
Profit before taxation	244,122	136,513
Taxation	(28,906)	(46,026)
Profit after taxation	215,216	90,487
Earnings per share	4.36	1.83

Capacity utilization (clinker) has been 94% compared to 101%. The decrease in capacity utilization is mainly due to the closure of plant for annual planned maintenance. However, the net sales revenue has increased by 35% compared to the same quarter last year. The increase in export prices and stable local prices of cement were the key factors for the increased profitability during the quarter under review.

Export - During the quarter under review, the Company's exports to Afghanistan were 50,724 tons representing 36% of its total capacity compared to 18,040 tons during the corresponding quarter last year. The increase in exports is mainly due to better export prices.

Debt obligation - The Company is current with its debt obligations.

Future prospects - In the light of present healthy macro-economic factors and development 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 sustained growth of cement sector.

Significant plans and decisions:

- **WHITE CEMENT** - The new Kohat White Cement plant is under test runs. **Inshallah** the new white cement plant will go into production by the end October, 2005.
- **NEW GREY CEMENT LINE 6,700 TPD** - The Company's plan to increase its grey cement production capacity from 0.567 million tons to 2.68 million tons is progressing according to schedule. The plant is based on latest state of the art Chinese/European technology with energy efficient features. The Company has entered into Syndicate Term Finance Agreement with Consortium of Financial Institutions. **Inshallah**, the new grey cement line will commence production in July, 2007.

Management-employees relations - Relations between management and employees have been cordial and mutually supportive.

For and on behalf of the Board



Aizaz Mansoor Sheikh
Chief Executive

Lahore: October 28, 2005

Kohat Cement Company Limited.

Balance Sheet (Un-Audited)

As at September 30, 2005

	Note	(Un-audited) Sep 30, 2005 Rupees	Audited June 30, 2005 Rupees
CAPITAL AND LIABILITIES			
Authorized share capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up share capital			
49,350,002 (2005: 49,350,002) ordinary shares of Rs. 10 each		493,500,029	493,500,029
Capital Reserve - Share premium		92,120,028	92,120,028
General reserve		70,000,000	70,000,000
Unappropriated profit		641,327,880	426,112,297
		<u>1,296,947,928</u>	<u>1,081,732,345</u>
LONG TERM LOANS		61,948,330	81,648,330
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		27,065,082	35,461,448
LONG TERM SECURITY DEPOSITS		3,881,000	2,132,500
DEFERRED LIABILITIES		76,551,923	104,240,120
		<u>169,446,335</u>	<u>223,482,398</u>
CURRENT LIABILITIES			
Trade and other payables		167,888,438	147,709,665
Mark up payable on secured loans		1,553,300	1,655,264
Secured short term finances		34,742,924	52,582,288
Current portion of:			
- Long term loans - secured		53,800,000	53,800,000
- Liabilities against assets subject to finance lease		30,848,518	30,297,282
Provision for taxation		79,515,918	58,943,432
Unclaimed dividend		1,684,753	1,684,753
		<u>370,034,851</u>	<u>346,682,684</u>
CONTINGENCIES AND COMMITMENTS	5	-	-
		<u>1,836,429,114</u>	<u>1,651,887,427</u>
ASSETS			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets - tangible	6	573,307,702	581,007,037
Capital work-in-progress	7	575,799,803	488,802,983
Stores and spares held for capital expenditure		20,720,799	50,070,412
		<u>1,169,827,504</u>	<u>1,119,880,432</u>
LONG TERM LOANS AND ADVANCES		3,970,425	4,639,073
LONG TERM DEPOSITS		16,756,490	16,756,490
		<u>20,726,915</u>	<u>21,395,563</u>
CURRENT ASSETS			
Stores, spares and loose tools		82,815,706	86,217,074
Stock in trade		19,297,273	22,336,658
Trade debtors		9,812,847	23,799,056
Advances, deposits, prepayments and other receivables		476,214,552	89,192,508
Cash and bank balances		57,935,117	289,066,136
		<u>645,874,895</u>	<u>510,611,432</u>
		<u>1,836,429,114</u>	<u>1,651,887,427</u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

Kohat Cement Company Limited.

Profit and Loss Account (Un-audited)

For the Quarter ended September 30, 2005

	Note	2005 Rupees	2004 Rupees
SALES-Net		548,340,915	405,286,051
COST OF GOODS SOLD		268,110,740	242,778,364
GROSS PROFIT		280,230,175	162,507,687
DISTRIBUTION EXPENSES		3,476,684	3,022,658
ADMINISTRATIVE AND GENERAL EXPENSES		9,474,360	8,297,601
		12,951,044	11,320,259
OPERATING PROFIT		267,279,131	151,187,428
OTHER OPERATING EXPENSES			
- Workers' profit participation fund		13,062,118	7,343,583
- Workers' welfare fund		3,111,288	2,540,404
		16,173,406	9,883,987
PROFIT FROM OPERATIONS		251,105,725	141,303,441
OTHER OPERATING INCOME		1,516,598	1,926,430
PROFIT FROM OPERATIONS		252,622,323	143,229,871
FINANCE COST		8,500,605	6,716,895
PROFIT BEFORE TAXATION		244,121,718	136,512,976
TAXATION	8	28,906,135	46,025,994
PROFIT AFTER TAXATION		215,215,583	90,486,982
EARNINGS PER SHARE		4.36	1.83

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

Kohat Cement Company Limited.

Cash Flow Statement (Un-audited)

For the Quarter ended September 30, 2005

	2005 Rupees	2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	244,121,718	136,512,976
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets	14,548,276	15,404,268
Excess depreciation written back	-	(1,296,000)
Profit on sale of property and equipments	(342,301)	-
Provision for earned leave (net)	220,866	160,518
Profit/mark-up on bank deposits	(998,912)	(323,258)
Financial charges	8,500,605	6,716,895
	<u>21,928,534</u>	<u>20,662,423</u>
Operating profit before working capital changes	266,050,252	157,175,399
Cash flows from working capital changes:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	3,601,368	(4,632,103)
Stock in trade	3,039,385	(10,093,091)
Trade debtors	13,987,009	(1,724,056)
Advances, deposits, prepayments and other receivables	(388,064,740)	(59,918,031)
Increase/(decrease) in current liabilities		
Creditors, accruals and other liabilities	20,178,773	2,137,957
	<u>(347,258,205)</u>	<u>(74,229,324)</u>
Cash generated from operations	(81,207,953)	82,946,075
Financial charges paid	(8,602,569)	(6,619,812)
Income tax paid/deducted at source	(35,843,649)	(6,902,181)
Earned leave paid	(399,063)	(60,783)
Net (increase)/decrease in long term loans and advances	820,847	255,397
Net increase/(decrease) in long term security deposits	1,748,500	(100,000)
Net cash inflow from operating activities	(123,483,887)	69,518,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(64,798,699)	(44,693,670)
Sale proceeds of fixed assets	645,652	50,000
Profit on bank deposits	1,889,409	666,437
Net increase in long term deposits	-	(1,199,800)
Net cash outflow from investing activities	(62,263,638)	(45,177,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of finance lease liabilities	(7,844,130)	(6,681,174)
Repayments of long term finances	(19,700,000)	(7,200,000)
Dividend paid	-	(2,145)
Net cash outflow from financing activities	(27,544,130)	(13,883,319)
Net increase/(decrease) in cash and cash equivalents	(213,291,655)	10,458,344
Cash and cash equivalents at beginning of the period	236,483,848	109,621,888
Cash and cash equivalents at end of the period	23,192,193	120,080,232
NOTE:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	57,935,117	136,055,190
Finance under mark-up arrangements	(34,742,924)	(15,974,958)
	<u>23,192,193</u>	<u>120,080,232</u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

Kohat Cement Company Limited.

Statement of Changes in Equity (Un-audited)

For the Quarter ended September 30, 2005

Rupees

Particulars	Share Capital	Share Premium	General Reserve	Accumulated Profit	Total
Balance as at June 30, 2004	329,000,010	92,120,028	70,000,000	204,110,962	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	70,000,000	294,597,944	785,717,982
Balance as at June 30, 2005	493,500,020	92,120,028	70,000,000	426,112,297	1,081,732,345
Profit for the quarter ended September 30, 2005	-	-	-	215,215,583	215,215,583
Balance as at September 30, 2005	493,500,020	92,120,028	70,000,000	641,327,880	1,296,947,928

The annexed notes 1 to 11 form an integral part of these financial statements



Chief Executive



Director

Notes to the Accounts (Un-audited)

For the Quarter ended September 30, 2005

- 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.
- 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.
- 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, 2005.
- Provision for taxation is estimated only and final liability will be determined on the basis of annual results.
- CONTINGENCIES AND COMMITMENTS**
 - Contingencies**
There is no significant change in the contingent liabilities of the company since the last annual balance sheet date.
 - Commitments in respect of:**

	Un-audited September 30, 2005 (Rupees)	Audited June 30, 2005 (Rupees)
Confirmed Letters of Credit for:		
a) Capital expenditure	24,353,439	305,590,349
b) Purchase of coal	47,192,589	42,400,500
b) Refractory Materials	-	11,300,976
- OPERATING FIXED ASSETS**
The following additions and disposals to operating fixed assets have been made during the quarter ended September 30, 2005:

	Rupees
Additions-(Cost):	
Housing Colony	28,000
Plant, machinery & equipments	3,060
Furniture, fixtures and office equipments	487,886
Computers and printers	178,748
Vehicles	8,474,000
Deletions-(Net book value)	
Vehicles	383,351
- CAPITAL WORK IN PROGRESS**

	144,465,765	105,677,673
Civil works		
Plant, machinery and equipments	431,233,238	382,925,310
	<u>575,799,003</u>	<u>488,603,983</u>
- PROVISION FOR TAXATION**

	56,416,135	44,142,994
Current		
Deferred	(27,919,009)	1,676,330
	<u>28,497,126</u>	<u>45,823,324</u>
- TRANSACTIONS WITH RELATED PARTIES**

	826,176	573,820
Contribution to provident fund		
Contribution to gratuity fund	483,401	764,590
- DATE OF AUTHORIZATION**
These unaudited financial statements were authorized for issue by the Board of Directors of the Company on October 28, 2005.
- Figures have been rounded off to the nearest rupee.



Chief Executive



Director

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