



**1ST QUARTER REPORT
(UN-AUDITED)
SEPTEMBER 30, 2006**

**KOHAT CEMENT
COMPANY LIMITED**

Kohat Cement Company Limited.

Company Information

Board of Directors

Mrs. Khawar Sultana

Chairperson

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

KPMG Taseer Hadi & 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

Rating Agency: PACRA

Company Rating: A (Long-term)

A1 (Short-term)

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

MCB Bank Limited

Crescent Commercial Bank Limited

Kohat Cement Company Limited.

Directors' Review

Your Directors take pleasure in presenting the un-audited financial statements of the Company for the 1st quarter ended on 30th September, 2006 of the current financial year.

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

| | 2006 Tons | 2005 Tons |
|-------------------|--------------|--------------|
| Production | | |
| - Clinker | | |
| Grey Cement | 131,990 | 126,880 |
| White Cement | 8,395 | - |
| - Cement | | |
| Grey Cement | 149,559 | 137,978 |
| Grey Cement | 5,410 | - |

Cement Dispatches

| | | |
|---|---------|---------|
| - Grey Cement* | 148,201 | 138,048 |
| - White Cement | 4,654 | - |
| - Total | 152,855 | 138,048 |
| * Includes in house consumption of 8,025 tons (2005: NIL) | | |

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

| | 2006 Rupees '000' | 2005 Rupees '000' |
|------------------------|----------------------|----------------------|
| Net sales revenue | 502,366 | 548,341 |
| Profit before taxation | 157,666 | 244,122 |
| Taxation | (31,626) | (28,906) |
| Profit after taxation | 126,039 | 215,216 |
| Earnings per share | 1.36 | 2.51 |

Capacity utilization of grey cement (clinker) has been 96% compared to 94% as compared to corresponding period. Capacity utilization of white cement plant has been 25%, the under utilization of white cement capacity is due to the low market demand. The decrease in cement prices was the key factor for the decrease in net sales revenue and resultant decrease in profitability during the quarter under review.

Export - During the quarter under review, the Company exported 48,283 tons of grey cement and 662 tons of white cement.

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 and government's ambitious plans to develop and construct water reservoirs and dams, the management foresees the sustained growth of cement sector.

New Grey Cement Line 6,700 TPD - The construction of new grey cement line 6700 TPD clinker capacity within the present premises at Kohat is progressing according to schedule. The civil work is at full swing and major part of machinery has arrived at site. **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 20, 2006.

Kohat Cement Company Limited.

Balance Sheet (Un-Audited)

As at September 30, 2006

| | Note | (Un-audited) Sep 30, 2006 Rupees | Audited June 30, 2006 Rupees |
|---|------|---|---------------------------------------|
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital | | 1,500,000,000 | 1,500,000,000 |
| Issued, subscribed and paid up capital | | 925,312,540 | 925,312,540 |
| Reserves | | 389,433,561 | 389,397,905 |
| Unappropriated profit | | 1,095,268,615 | 969,229,248 |
| | | 2,410,014,716 | 2,283,939,693 |
| NON CURRENT LIABILITIES | | | |
| Long term finances - secured | 5 | 1,525,000,000 | 237,500,000 |
| Liabilities against assets subject to finance lease | | 1,776,665 | 2,358,098 |
| Long term security deposits | | 4,276,100 | 5,451,100 |
| Deferred liabilities | | 152,107,225 | 161,267,836 |
| | | 1,683,159,990 | 406,577,034 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 303,577,794 | 215,249,060 |
| Mark up payable on secured loans | | 6,509,450 | 1,973,686 |
| Short term running finances - secured | | 44,635,361 | 57,397,506 |
| Current portion of long term liabilities: | | | |
| Long term finances | | 36,948,330 | 44,148,330 |
| Liabilities against assets subject to finance lease | | 27,042,865 | 34,064,784 |
| Provision for taxation | | 40,151,805 | 32,760,357 |
| | | 458,865,605 | 385,593,723 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 6 | 4,552,040,311 | 3,076,110,450 |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment: | | | |
| Operating fixed assets | 7 | 1,078,020,075 | 1,095,105,981 |
| Capital work-in-progress | 8 | 2,458,452,474 | 984,287,376 |
| | | 3,536,472,549 | 2,079,393,357 |
| Long term loans and advances | | 1,763,974 | 2,565,634 |
| Long term deposits | | 4,884,340 | 4,969,240 |
| | | 3,543,120,863 | 2,086,928,231 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 131,209,636 | 117,594,905 |
| Stock in trade | | 113,245,652 | 87,869,995 |
| Trade debts | | 27,057,712 | 21,642,079 |
| Advances, deposits, prepayments and other receivables | | 118,796,082 | 98,589,010 |
| Short term investment | | - | 6,600,000 |
| Cash and bank balances | | 618,610,366 | 656,886,230 |
| | | 1,008,919,448 | 989,182,219 |
| | | 4,552,040,311 | 3,076,110,450 |

The attached notes 1 to 11 form an integral part of these accounts.


Chief Executive


Director

Kohat Cement Company Limited.

Cash Flow Statement (Un-audited)

For the Quarter ended September 30, 2006

| | 2006 Rupees | 2005 Rupees |
|---|------------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 157,665,540 | 244,121,718 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 27,571,425 | 14,548,276 |
| Profit on sale of property, plant and equipment | (481,156) | (342,301) |
| Provision for compensated absences | - | 220,866 |
| Profit/mark-up on bank deposit | (12,556,130) | (998,912) |
| Profit on sale of investment | (54,945) | - |
| Finance cost | 25,221,712 | 8,500,605 |
| | <u>39,700,906</u> | <u>21,928,534</u> |
| Operating profit before working capital changes | 197,366,446 | 266,050,252 |
| (Increase)/decrease in current assets: | | |
| Stores, spares and loose tools | (13,614,731) | 3,601,368 |
| Stock in trade | (25,375,657) | 3,039,385 |
| Trade debts | (5,415,633) | 13,987,009 |
| Advances, deposits, prepayments and other receivables | (21,895,685) | (10,987,314) |
| Increase in current liabilities: | | |
| Trade and other payables | 88,328,734 | 20,178,773 |
| | <u>22,027,028</u> | <u>29,819,221</u> |
| Cash generated from operations | 219,393,474 | 295,869,473 |
| Finance cost paid | (20,685,948) | (8,602,569) |
| Compensated absences paid | (325,700) | (399,063) |
| Income tax paid | (33,069,636) | (35,843,649) |
| Net cash inflow from operating activities | <u>165,312,190</u> | <u>251,024,192</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (1,486,169,460) | (441,876,125) |
| Sale proceeds of property, plant and equipment | 2,000,000 | 645,652 |
| Profit on bank deposits | 14,329,643 | 1,889,409 |
| Decrease in long term loans and advances | 801,660 | 620,847 |
| Increase/(decrease) in long term security deposits | (1,175,000) | 1,748,500 |
| Sale proceeds of short term investment | 6,690,600 | - |
| Net cash outflow from investing activities | <u>(1,463,522,557)</u> | <u>(436,771,717)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from long term finances | 1,300,000,000 | - |
| Repayments of long term finances | (19,700,000) | (19,700,000) |
| Repayment of finance lease liabilities | (7,603,352) | (7,844,130) |
| Net cash inflow/(outflow) from financing activities | <u>1,272,696,648</u> | <u>(27,544,130)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(25,513,719)</u> | <u>(213,291,655)</u> |
| CASH AND CASH EQUIVALENTS - at the beginning of the period | <u>599,488,724</u> | <u>236,483,848</u> |
| CASH AND CASH EQUIVALENTS - at the end of the period | <u>573,975,005</u> | <u>23,192,193</u> |
| Cash and Cash Equivalents Comprises: | | |
| Cash and bank balances | 618,610,366 | 57,935,117 |
| Short term running finances | (44,635,361) | (34,742,924) |
| | <u>573,975,005</u> | <u>23,192,193</u> |

The attached notes 1 to 11 form an integral part of these accounts.



Chief Executive



Director

Kohat Cement Company Limited.

Profit and Loss Account (Un-audited)

For the Quarter ended September 30, 2006

| | Note | 2006 Rupees | 2005 Rupees |
|---|------|--------------------|----------------|
| Sales - net | | 502,366,167 | 548,340,915 |
| Cost of goods sold | | 307,942,514 | 268,110,740 |
| Gross profit | | 194,423,653 | 280,230,175 |
| Distribution cost | | 4,283,754 | 3,476,684 |
| Administrative and general expenses | | 9,332,113 | 9,008,860 |
| | | 13,615,867 | 12,485,544 |
| Operating profit | | 180,807,786 | 267,744,631 |
| Other operating expenses | | 12,412,454 | 16,638,906 |
| | | 168,395,332 | 251,105,725 |
| Other operating income | | 14,491,920 | 1,516,598 |
| Profit from operations | | 182,887,252 | 252,622,323 |
| Finance cost | | 25,221,712 | 8,500,605 |
| Profit before taxation | | 157,665,540 | 244,121,718 |
| Provision for taxation | 9 | 31,626,173 | 28,906,135 |
| Profit after taxation | | 126,039,367 | 215,215,583 |
| Earnings per share (basic and diluted) | | 1.36 | 2.51 |

Appropriations have been reflected in the statement of changes in equity.

The attached notes 1 to 11 form an integral part of these accounts.



Chief Executive



Director

Kohat Cement Company Limited.

Statement of Changes in Equity (Un-audited)

For the Quarter ended September 30, 2006

| Particulars | Share Capital | Share Premium | Fair Value Reserve | General Reserve | Un-appropriated Profit | Total |
|---|---------------|---------------|--------------------|-----------------|------------------------|---------------|
| Rupees | | | | | | |
| Balance as at June 30, 2005 | 493,500,020 | 92,120,028 | - | 70,000,000 | 428,112,297 | 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 |
| Balance as at June 30, 2006 | 925,312,540 | 319,433,561 | (35,656) | 70,000,000 | 969,229,248 | 2,283,939,693 |
| Profit for the quarter ended September 30, 2006 | - | - | 35,656 | - | - | 35,656 |
| Balance as at September 30, 2006 | 925,312,540 | 319,433,561 | - | 70,000,000 | 1,069,268,615 | 2,414,014,716 |

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



Chief Executive



Director

Kohat Cement Company Limited.

Notes to the Accounts (Un-audited)

For the Quarter ended September 30, 2006

1. STATUS AND NATURE OF BUSINESS

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.

2. STATEMENT OF COMPLIANCE

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

3. STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these financial statements are the same as those applied in preparation of financial statements for the year ended 30 June 2006.

4. SIGNIFICANT ESTIMATES

Provision for taxation, workers' profit participation fund, workers' welfare fund and defined benefit plans are estimated only and final liability will be determined on the basis of annual results.

5. LONG TERM FINANCES

During the period under review the Company has further drawn Rs. 1.3 billion out of the Syndicated Term Finance limit of Rs. 2.8 billion availed from a consortium of financial institutions led by Union Bank Limited for its ongoing expansion project.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

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

| | 30 Sep. 2006 (Rupees) | 30 June 2006 (Rupees) |
|---|-----------------------------|-----------------------------|
| 6.2 - Commitments in respect of: | | |
| - Capital expenditure | 1,392,340,179 | 2,420,441,209 |
| - Other than capital expenditure | 60,025,615 | 42,653,190 |

7. PROPERTY, PLANT AND EQUIPMENT

| | 30 Sep. 2006 (Rupees) | 30 June 2006 (Rupees) |
|--|-----------------------------|-----------------------------|
| Opening written down value | 1,095,105,981 | 581,007,037 |
| Additions (Cost) | | |
| Freehold land | 6,095,677 | - |
| Factory buildings | - | 106,017,720 |
| Housing Colony | - | 6,825,720 |
| Plant machinery and equipment | - | 463,057,504 |
| Laboratory equipments | - | 1,094,415 |
| Furniture, fixtures and office equipment | 165,515 | 2,438,385 |
| Computers and printers | 56,570 | 1,001,107 |
| Vehicles | 5,686,600 | 25,377,684 |
| Heavy vehicles | - | 3,124,500 |
| | 12,004,362 | 608,937,015 |
| Disposals (Net book value) | | |
| Furniture, fixtures and office equipment | - | (9,345) |
| Vehicles | (1,029,747) | (2,996,241) |
| Heavy vehicles | (489,096) | - |
| | (1,518,843) | (3,005,586) |
| Depreciation charge for the period | (27,571,425) | (91,832,485) |
| Closing written down value | 1,078,020,075 | 1,095,105,981 |

8. CAPITAL WORK IN PROGRESS

| | 30 Sep. 2006 (Rupees) | 30 June 2006 (Rupees) |
|---|-----------------------------|-----------------------------|
| Existing plant - civil works | 17,943,503 | 14,587,136 |
| Expansion project - grey cement | | |
| Civil works | 675,200,875 | 425,279,621 |
| Plant and machinery (including in transit Rs. 7,072 million) | 1,447,179,834 | 109,245,962 |
| Advances to plant suppliers | 214,511,598 | 390,030,791 |
| Stores held for capital expenditure | 96,239,473 | 38,487,395 |
| Letter of credit in process | 7,377,191 | 6,656,471 |
| | 2,440,508,971 | 969,700,240 |
| | 2,458,452,474 | 984,287,376 |

9. PROVISION FOR TAXATION

| | 30 Sep. 2006 (Rupees) | 30 June 2006 (Rupees) |
|----------|-----------------------------|-----------------------------|
| Current | 40,481,084 | 56,416,135 |
| Deferred | (8,834,911) | (27,510,000) |
| | 31,626,173 | 28,906,135 |

10. TRANSACTIONS WITH RELATED PARTIES

| | 30 Sep. 2006 (Rupees) | 30 June 2006 (Rupees) |
|--------------------------------|-----------------------------|-----------------------------|
| Contribution to provident fund | 624,352 | 620,176 |
| Contribution to gratuity fund | - | 403,401 |
| Sale of cement | 1,283,000 | - |

11. DATE OF AUTHORIZATION FOR ISSUE

These unaudited quarterly financial statements were authorized for issue by the Board of Directors of the Company on October 20, 2006.


Chief Executive


Director

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If undelivered, please return to:

Kohat Cement Company Limited
House No. 64-E1/D, Gulberg - III, Lahore.