

2ND QUARTER & HALF YEAR REPORT
(UN-AUDITED)
DECEMBER 31, 2005



KOHAT CEMENT
COMPANY LIMITED

Kohat Cement Company Limited.

Company Information

Board of Directors

Mrs. Khawar Atta

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

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

On behalf of the Board of Directors, I am pleased to present the financial results for the second quarter (un-audited) and half-year (reviewed) ended December 31, 2006.

Production and sales - The production and sales data for the 2nd quarter and half-year both for the grey and white cement is as under:

	2nd quarter ended December, 31		Half year ended December, 31	
	2005 (Tons)	2004 (Tons)	2005 (Tons)	2004 (Tons)
Production				
- Clinker	153,703	143,482	260,583	279,277
- Cement	128,179	127,144	266,697	268,741
Cement Dispatches				
- Local	89,746	109,883	177,070	228,997
- Export	32,158	16,385	82,882	34,425
- Total	121,904	126,268	259,952	263,422

Capacity utilization (clinker) has been 105% (2nd Quarter) and 100% (Half year) as compared to 106% (2nd Quarter) and 103% (Half year) for the corresponding periods of last year.

Operating results The operating results for the period under review are as under:

	2nd quarter ended December, 31		Half year ended December 31	
	2005 (Rupees)	2004 (Rupees)	2005 (Rupees)	2004 (Rupees)
Net Sales Revenue	508,529,562	371,485,019	1,056,870,477	778,771,070
Pre-tax Profit	226,695,977	118,337,010	470,816,790	254,849,986
Taxation	64,283,999	37,751,498	93,190,134	83,777,492
After Tax Profit	162,411,978	80,585,512	377,626,656	171,072,494
Earnings per share	2.19	1.09	5.10	2.31

The net sales revenue has increased by 37% (2nd Quarter) and 36% (Half year) as compared to the corresponding periods of last year. The increase in export sales revenue, resulting due to increase in dispatches and re-tender price, along with stable local market of cement were the key factors for the increased profitability during the 2nd quarter and half year under review.

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

Significant plans and decisions:

- **WHITE CEMENT LINE 450 TPD** By the grace of Almighty Allah, the new white cement line of 450 tpd clinker capacity has started commercial production w.e.f. December 1, 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. Inshallah, the new grey cement line will commence production in July, 2007.
- **RIGHT SHARES ISSUE** In order to finance a part of the equity portion of the project the Board of Directors in its meeting held on January 05, 2006 has decided to issue 18,506,251 Ordinary Shares by way of 25% Rights Offer at a subscription price of Rs. 22.50 per share (including premium of Rs. 12.50 per share). Letters of Right have been dispatched to the members on February 11, 2006 and the trading of Letters of Right has commenced from February 14, 2006 whereas the last date of payment / renunciation is March 30, 2006.

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.

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

Lahore: February 20, 2006.


Aizaz Mansoor Sheikh
Chief Executive

Review Report to the Members

We have reviewed the annexed balance sheet of **Kohat Cement Company Limited** as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


KPMG Taseer Hadi Khalid & Co.
Chartered Accountants

Lahore: February 20, 2006

Kohat Cement Company Limited.

Balance Sheet

As at December 31, 2005

		31 December 2005 (Un-audited)	30 June 2005 (Audited)
	Note	(Rupees)	(Rupees)
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 (June 2005: 100,000,000) ordinary shares of Rs. 10 each	5	1,500,000,000	1,000,000,000
Issued, subscribed and paid up share capital 74,025,003 (June 2005: 49,350,002) ordinary shares of Rs. 10 each	5	740,250,030	493,500,020
Share premium		92,120,028	92,120,028
General reserves		70,000,000	70,000,000
Unappropriated profit		556,988,943	426,112,297
		<u>1,459,359,001</u>	<u>1,081,732,345</u>
NON-CURRENT LIABILITIES			
Long term finances - secured		154,748,330	81,648,330
Liabilities against assets subject to finance lease		19,086,914	35,461,448
Long term security deposits		3,391,100	2,132,500
Deferred liabilities		121,494,560	104,240,120
		<u>298,720,904</u>	<u>223,482,398</u>
CURRENT LIABILITIES			
Trade and other payables		204,177,464	147,709,665
Mark up payable on secured loans		2,004,836	1,655,264
Short term finances		88,537,759	52,582,288
Current portion of liabilities against assets subject to finance lease		30,807,522	30,297,282
Current portion of long term finances		53,800,000	53,800,000
Provision for taxation		-	58,943,432
Unclaimed dividend		1,676,501	1,684,753
		<u>381,004,082</u>	<u>346,672,684</u>
Contingencies and Commitments	6	-	-
		<u>2,139,083,987</u>	<u>1,651,887,427</u>
NON-CURRENT ASSETS			
Fixed Capital Expenditure			
Property, plant and equipment	7	1,120,780,906	581,007,037
Capital work-in-progress		511,942,185	488,802,983
Stores and spares held for capital expenditure		2,514,472	50,070,412
		<u>1,635,237,563</u>	<u>1,119,880,432</u>
Long term loans and advances		3,351,490	4,639,073
Long term deposits		16,143,890	16,756,490
CURRENT ASSETS			
Stores, spares and loose tools		101,296,936	86,217,074
Stock in trade		96,675,430	22,336,658
Trade debtors		15,526,799	23,799,056
Advances, deposits, prepayments and other receivables		92,251,696	89,192,508
Cash and bank balances		178,600,183	289,066,136
		<u>484,351,044</u>	<u>510,611,432</u>
		<u>2,139,083,987</u>	<u>1,651,887,427</u>

The annexed notes 1 to 13 form an integral part of these financial statements.



Chief Executive



Director

Kohat Cement Company Limited.

Profit and Loss Account (Un-audited)

For the half year and quarter ended December 31, 2005

	Note	2005		2004	
		July to December	October to December	July to December	October to December
		(Rupees)	(Rupees)	(Rupees)	(Rupees)
Sales - net		1,056,870,477	508,529,562	776,771,070	371,485,019
Cost of goods sold		494,714,280	226,603,540	470,966,243	228,187,879
Gross Profit		562,156,197	281,926,022	305,804,827	143,297,140
Distribution expenses		6,701,536	3,224,852	5,865,545	2,842,887
Administrative and general expenses		20,976,825	11,502,465	17,241,291	8,943,690
		27,678,361	14,727,317	23,106,836	11,786,577
Operating Profit		534,477,836	267,198,705	282,697,991	131,510,563
Other operating expenses					
- Workers' profit participation fund		25,097,632	12,035,514	13,663,558	6,319,975
- Workers' welfare fund		4,182,159	1,070,871	4,757,610	2,217,206
		29,279,791	13,106,385	18,421,168	8,537,181
		505,198,045	254,092,320	264,276,823	122,973,382
Other operating income		3,765,837	2,249,239	2,431,253	504,823
Profit from operations		508,963,882	256,341,559	266,708,076	123,478,205
Finance cost	8	38,147,092	29,646,482	11,858,090	5,141,195
Profit before taxation		470,816,790	226,695,077	254,849,986	118,337,010
Taxation	9	93,190,134	64,283,999	83,777,492	37,751,498
Profit after taxation		377,626,656	162,411,078	171,072,494	80,585,512
Earnings per share		5.10	2.19	2.31	1.09

The annexed notes 1 to 13 form an integral part of these financial statements.


Chief Executive


Director

Kohat Cement Company Limited.

Cash Flow Statement (Un-audited)

For the half year ended December 31, 2005

Note	2005 July to December (Rupees)	2004 July to December (Rupees)
Cash Flow from Operating Activities		
	470,816,790	254,849,986
Profit before taxation		
Adjustments for:		
Depreciation on property, plant and equipment	34,386,563	29,984,163
Profit on sale of property, plant and equipment	(1,141,278)	(4,025)
Provision for earned leave	441,732	321,036
Profit/mark-up on bank deposit	(1,208,064)	(481,742)
Finance cost	38,147,092	11,858,090
	<u>70,626,045</u>	<u>41,677,522</u>
Operating profit before working capital changes	541,442,835	296,527,508
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(15,079,862)	(7,837,084)
Stock in trade	(74,338,772)	(44,608,814)
Trade debtors	8,272,257	2,680,975
Advances, deposits prepayments and other receivables	1,092,265	(56,672,778)
Increase in current liabilities:		
Trade and other payables	56,467,798	5,862,264
	<u>(23,566,314)</u>	<u>(100,575,437)</u>
Cash generated from operations	517,856,521	195,952,071
Finance cost paid	(37,797,520)	(12,519,897)
Income tax paid	(140,264,406)	(73,621,245)
Earned leave paid	(375,292)	(85,713)
Decrease in long term loans and advances	1,564,473	617,194
Net decrease in long term security deposits	612,600	(1,199,800)
Net cash inflow from operating activities	341,596,376	109,142,610
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(551,285,067)	(121,419,860)
Sale proceeds of property, plant and equipment	2,682,652	50,000
Profit on bank deposits	2,098,561	824,921
Net increase in long term deposits	1,258,600	100,000
Net cash (outflow) from investing activities	(545,245,254)	(120,444,939)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments/proceeds from long term finance - net	73,100,000	(14,400,000)
Payment of finance lease liabilities	(15,864,294)	(13,394,532)
Dividend paid	(8,252)	(97,969)
Net cash inflow/ (outflow) from financing activities	57,227,454	(27,892,501)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(146,421,424)	(39,194,830)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	236,483,848	109,621,888
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	10 <u>90,062,424</u>	<u>70,427,058</u>

The annexed notes 1 to 13 form an integral part of these financial statements.


Chief Executive


Director

Statement of Changes in Equity (Un-audited)

For the half year ended December 31, 2005

	Share Capital	Share Premium	General Reserve	Unappropri- ated Profit	Total
RUPEES					
Balance as at 01 July 2004	329,000,010	92,120,028	70,000,000	204,110,962	695,231,000
Issuance of bonus shares	184,500,010	-	-	(184,500,010)	-
Net profit for the half year	-	-	-	171,072,494	171,072,494
Balance as at 31 December 2004	<u>513,500,020</u>	<u>92,120,028</u>	<u>70,000,000</u>	<u>210,683,446</u>	<u>886,303,494</u>
Balance as at 01 July 2005	493,500,020	92,120,028	70,000,000	426,112,297	1,081,732,345
Issuance of bonus shares	246,750,010	-	-	(246,750,010)	-
Net profit for the half year	-	-	-	377,626,656	377,626,656
Balance as at 31 December 2005	<u>740,250,030</u>	<u>92,120,028</u>	<u>70,000,000</u>	<u>556,988,943</u>	<u>1,459,359,001</u>

The annexed notes 1 to 13 form an integral part of these financial statements.


Chief Executive


Director

Kohat Cement Company Limited.

Notes to the Financial Statements (Un-audited)

For the half year ended December 31, 2005

- 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.
- These un-audited half yearly 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. These are reviewed by the auditors under the provision of Code of Corporate Governance.
- The accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of financial statements for the year ended June 30, 2005.
Up to June 30, 2005, the Company charged full years depreciation on additions, except on major additions or extensions to production facilities which were depreciated on pro-rata basis for the period of use during the year, while no depreciation was charged in the year of disposal. During the year as a result of revision in International Accounting Standard 16 - "Property, Plant and Equipment", the Company has changed its accounting method of charging depreciation whereby depreciation is charged from the month in which assets are put to use upto the month before the disposal of asset. Such change, being a change in accounting estimate, has been accounted for prospectively. Had there been no change in the estimate, the profit for the half-year and unappropriated profit would have been lower by Rs. 687,190.
- Provision for taxation, workers' profit participation fund and workers' welfare fund are estimated only and final liability will be determined on the basis of annual results.

5. SHARE CAPITAL

As approved by the shareholders in the Annual General Meeting held on October 26, 2005, the authorized share capital of the Company has been increased from Rs. 1 (one) billion to Rs. 1.5 billion by the creation of 50 million ordinary shares of Rs. 10 each, and the Company has issued 24,675,001 ordinary shares of Rs. 10 each as fully paid bonus shares during the period under review i.e. 1 share for every 2 shares held.

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.

6.2 Commitments in respect of

	31 December 2005 (Rupees)	30 June 2005 (Rupees)
Confirmed Letter of Credit for:		
a) Capital expenditure.	21,841,378	305,509,349
b) Purchase of coal.	31,848,716	42,400,500
c) Refractory materials	-	11,300,976

7. OPERATING FIXED ASSETS

	31 December 2005 (Rupees)	30 June 2005 (Rupees)
Opening written down value	581,007,037	603,032,810
Additions (Cost)		
Owned		
Freehold land	-	22,226,631
Factory buildings	104,950,482	636,200
Housing Colony	1,579,731	1,322,673
Plant machinery and equipment	441,785,531	5,134,801
Laboratory equipments	87,000	1,927,905
Furniture, fixtures and office equipment	12,583,306	2,279,453
Computers and printers	324,070	654,038
Vehicles	14,391,685	54,000
Heavy vehicles	-	705,000
	575,701,805	34,940,701
Leased		
Vehicles	-	3,680,500
Heavy vehicles	-	7,250,000
	-	10,930,500
Disposals (Net book value)		
Plant machinery and equipment	-	(7,650)
Furniture, fixtures and office equipment	-	(25,997)
Vehicles	-	(1,326,067)
Heavy vehicles	(1,541,373)	(2,304,000)
	(1,541,373)	(3,683,714)
Depreciation charge for the period	(34,386,563)	(64,233,260)
Closing written down value	<u>1,120,780,966</u>	<u>581,007,037</u>

8. FINANCE COST

It includes Rs. 23,325,000 on account of advisory, arrangement and participation fee paid to Union Bank Limited for a syndicate long term loan of Rs. 2.8 billion for the expansion project of the Company.

	2005 July to December (Rupees)	2004 July to December (Rupees)
9. PROVISION FOR TAXATION		
Current	76,002,134	82,670,492
Deferred	17,198,000	1,107,000
	<u>93,190,134</u>	<u>83,777,492</u>
	31 December 2005 (Rupees)	30 June 2005 (Rupees)
10. CASH AND CASH EQUIVALENTS		
Cash and bank balances	178,600,183	144,845,758
Short term finances	(88,537,759)	(74,418,700)
	<u>90,062,424</u>	<u>70,427,058</u>
11. RELATED PARTIES		
There are no significant transactions with related parties during the period.		
12. These unaudited half yearly financial statements were authorized for issue by the board of directors of the Company on February 20, 2006.		
13. Figures have been rounded off to the nearest rupee.		


Chief Executive


Director

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