



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

Bankers of the Company

Standard Chartered Bank(Pakistan) Ltd.

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

Review Report to the Members

We have reviewed the annexed balance sheet of **Kohat Cement Company Limited** ("the Company") as at December 31, 2006 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.

The figures of condensed interim profit and loss account for the quarters ended 31 December 2005 and 2006 were not subject to review, as we are required to review only the cumulative figures for the half year ended 31 December 2006.



KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore: February 22, 2007

Kohat Cement Company Limited.

Directors' Review

On behalf of the Board of Directors, I am pleased to present the operating and financial results of your Company for the 2nd quarter and half-year ended on December 31, 2006 of the current financial year.

Production and sales -The production and sales data for the period under review is as under:

Production	2nd quarter ended December, 31		Half year ended December, 31	
	2006 (Tons)	2005 (Tons)	2006 (Tons)	2005 (Tons)
- Clinker				
Grey Cement	134,115	149,250	266,105	275,130
White Cement	500	4,453	8,895	4,453
- Cement				
Grey (Capacity utilization)	125,410 88.47%	125,257 86.36%	274,969 87%	263,236 92.85%
White (Capacity utilization)	4,482 12.65%	3,462 9.77%	9,892 13.96%	3,462 9.88%
Cement Dispatches:				
- Grey Cement	117,769	119,881	265,970	257,529
Local	79,410	87,793	171,303	175,117
Export	31,805	32,088	80,088	82,812
In-house consumption	6,554	-	14,579	-
- White Cement	4,968	2,023	9,622	2,023
Local	4,405	1,953	8,397	1,953
Export	563	70	1,225	70

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

	2nd quarter ended December, 31		Half year ended December 31	
	2006 (Rupees)	2005 (Rupees)	2006 (Rupees)	2005 (Rupees)
Net Sales Revenue	322,469,612	508,529,562	824,835,779	1,056,870,477
Profit from operations	51,351,640	256,341,559	234,238,892	508,963,882
Finance Cost	66,934,300	29,646,482	92,156,072	38,147,092
Taxation	813,451	64,283,998	32,439,624	93,190,134
Profit after taxation	(16,396,171)	162,411,078	109,643,196	377,626,656
Earnings per share	(8.16)	1.60	1.08	3.71

The decrease in net sales revenue is mainly attributable to the unreasonable fall in cement prices during the second quarter, this coupled with the mark-up charged on term finance for expansion project resulted in decrease of net profit for the half year and a marginal loss for the second quarter as compared to the comparable periods. Although the cement sector has witnessed an unprecedented growth rate of 26% in terms of volume during the half year ended December 31, 2006, the cement prices remained depressed due to the new cement capacities coming on line during this period. However, the management is confident that with the commencement of the construction season from March and the utilization of the Government's development budgets, the cement prices will stabilize which shall improve profitability. The under utilization of white cement plant is mainly due to the low market demand.

In the light of present healthy macro-economic factors, development in the housing sector government's ambitious plans to develop and construct water reservoirs & dams, and the potential for cement exports in Afghanistan, Middle East and Iraq etc., the management foresees the sustained growth in cement demand which will absorb the additional capacities.

Expansion Project -The construction of new grey cement line of 6700 tpd clinker capacity within the present premises at Kohat is progressing according to schedule. The civil works and erection installation of plant, machinery and equipment are at full swing. Due to the extended piling works, adverse movements in steel and oil prices and additional costs associated with the improvements in plant design, the project cost has been revised from the initial estimate of Rs. 4,000 million to Rs. 5,206 million resulting into an additional cost of Rs. 1,206 million. These factors have also pushed the commissioning of plant from early July, 2007 to end August, 2007. The Company has arranged Rs. 366 million from its internal cash generations while the balance Rs. 840 million will be borrowed from commercial banks for which a commercial bank has been mandated.

Management-employees relations -Relationship between management and employees has been cordial and mutually supportive.

For and on behalf of the Board



Aizaz Mansoor Sheikh
Chief Executive

Lahore: February 22, 2007.

Kohat Cement Company Limited.

Balance Sheet (Un-Audited)

As at December 31, 2006

		31 December 2006 (Un-audited)	30 June 2006 (Audited)
	Note	(Rupees)	(Rupees)
SHARE CAPITAL AND RESERVES			
Authorised share capital		1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital		1,017,843,888	925,312,540
Reserves		389,433,581	389,397,905
Unappropriated profit		986,341,184	989,229,248
		<u>2,283,618,545</u>	<u>2,283,939,693</u>
NON CURRENT LIABILITIES			
Long term finances - secured	5	2,125,000,000	237,500,000
Liabilities against assets subject to finance lease		1,185,164	2,358,098
Long term security deposits		2,301,100	5,451,100
Deferred liabilities		153,980,688	161,267,836
		<u>2,282,466,932</u>	<u>406,577,034</u>
CURRENT LIABILITIES			
Trade and other payables		203,775,880	215,249,060
Mark up payable on secured loans		11,893,620	1,973,686
Short term running finances - secured		153,973,691	57,397,506
Current portion of long term liabilities:			
Long term finances		79,748,330	44,148,330
Liabilities against assets subject to finance lease		19,770,403	34,064,764
Provision for taxation		16,981,864	32,760,357
		<u>485,943,858</u>	<u>385,593,723</u>
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		<u>5,162,829,335</u>	<u>3,078,110,450</u>
NON CURRENT ASSETS			
Property, plant and equipment:			
Operating fixed assets	7	1,847,245,010	1,385,105,961
Capital work-in-progress	8	3,136,116,937	964,267,376
		<u>4,233,361,917</u>	<u>2,079,383,357</u>
Long term loans and advances		2,382,647	2,565,634
Long term deposits		4,969,240	4,969,240
		<u>4,240,723,404</u>	<u>2,086,928,231</u>
CURRENT ASSETS			
Stores, spares and loose tools		127,606,580	117,594,905
Stock in trade		119,381,969	87,869,995
Trade debts		28,487,949	21,642,079
Advances, deposits, prepayments and other receivables		143,141,527	98,589,010
Short term investment		-	6,800,000
Cash and bank balances		582,687,887	656,886,230
		<u>921,305,931</u>	<u>969,182,219</u>
		<u>5,162,829,335</u>	<u>3,078,110,450</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 half year and quarter ended December 31, 2006

	Note	2006		2005	
		July to December	October to December	July to December	October to December
		(Rupees)	(Rupees)	(Rupees)	(Rupees)
Sales - net		824,835,779	322,469,612	1,056,870,477	508,529,562
Cost of goods sold		582,225,439	274,282,925	494,714,280	226,603,540
Gross profit		242,610,340	48,186,687	562,156,197	281,926,022
Distribution cost		8,545,985	4,262,231	6,701,536	3,224,852
Administrative and general expenses		19,599,097	10,266,984	20,976,825	11,502,465
		28,145,082	14,529,215	27,678,361	14,727,317
Operating profit		214,465,258	33,657,472	534,477,836	267,198,705
Other operating expenses		12,493,575	81,121	29,279,791	13,106,385
		291,971,683	33,576,351	505,198,045	254,092,320
Other operating income		32,267,209	17,775,289	3,765,837	2,249,239
Profit from operations		234,238,892	51,351,640	508,963,882	256,341,559
Finance cost on:					
- Term finance for Expansion Project		82,534,232	61,603,451	-	-
- Other long and short term finances		9,621,840	5,330,909	38,147,092	29,646,482
		92,156,072	66,934,360	38,147,092	29,646,482
Profit(loss)before taxation		142,082,820	(15,582,720)	470,816,790	226,695,077
Taxation	9	32,439,624	813,451	93,190,134	64,283,999
Profit(loss)after taxation		109,643,196	(16,396,171)	377,626,656	162,411,078
Earnings per share (basic and diluted)		1.08	(0.16)	3.71	1.60

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.

Cash Flow Statement (Un-audited)

For the half year ended December 31, 2006

Note	July to December 2006 (Rupees)	July to December 2005 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	142,082,820	470,816,790
Adjustments for:		
Depreciation on property, plant and equipment	55,271,231	34,386,563
Profit on sale of property, plant and equipment	(3,604,577)	(1,141,278)
Provision for compensated absences	-	441,732
Profit/mark-up on bank deposit	(23,247,332)	(1,208,064)
Profit on sale of investment	(54,945)	-
Finance cost	92,156,072	38,147,092
	120,520,449	70,626,045
Operating profit before working capital changes	262,603,269	541,442,835
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(10,011,694)	(15,079,862)
Stock in trade	(31,511,974)	(74,338,772)
Trade debts	(6,845,870)	8,272,257
Advances, deposits, prepayments and other receivables	(46,326,030)	1,092,265
Increase/(decrease) in current liabilities:		
Trade and other payables	(11,473,180)	56,459,546
	(106,168,748)	(23,594,566)
Cash generated from operations	156,434,521	517,848,269
Finance cost paid	(82,436,138)	(37,797,520)
Compensated absences paid	(125,406)	(375,292)
Income tax paid	(55,379,879)	(140,264,406)
Net cash inflow from operating activities	18,493,098	339,411,051
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,219,635,813)	(551,285,067)
Sale proceeds of property, plant and equipment	14,001,000	2,682,652
Profit on bank deposits	25,020,845	2,098,561
Decrease in long term loans and advances	172,987	1,564,473
Decrease in long term deposits	-	612,600
Increase/(decrease) in long term security deposits	(3,150,000)	1,258,600
Short term investment	6,690,600	-
Net cash outflow from investing activities	(2,176,900,381)	(543,068,181)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term finances	1,950,000,000	100,000,000
Repayments of long term finances	(26,900,000)	(26,900,000)
Repayment of finance lease liabilities	(15,467,235)	(15,864,294)
Net cash inflow from financing activities	1,907,632,765	57,235,706
Net decrease in cash and cash equivalents	(250,774,518)	(146,421,424)
Cash and cash equivalents at the beginning of the period	599,488,724	236,483,848
Cash and cash equivalents at the end of the period	348,714,206	90,062,424
Cash and Cash Equivalents Comprises:		
Cash and bank balances	502,687,887	178,600,183
Short term running finances	(153,973,681)	(88,537,759)
	348,714,206	90,062,424

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


Chief Executive


Director

Statement of Changes in Equity (Un-audited)

For the half year ended December 31, 2006

	Share Capital	Share Premium	Fair value reserve	General Reserve	Unappropri- ated Profit	Total
RUPEES						
Balance as at 30 June 2005	493,590,020	92,120,028	-	70,000,000	428,112,297	1,081,732,345
Issuance of 50% Bonus Shares	246,750,010	-	-	-	(246,750,010)	-
Profit for the half year ended December 31, 2005	-	-	-	-	377,626,556	377,626,556
Balance as at December 31 2005	740,340,030	92,120,028	-	70,000,000	556,988,843	1,459,388,801
Balance as at 30 June 2006	925,312,540	319,433,561	(35,656)	70,000,000	969,229,245	2,283,939,690
Issuance of 10% Bonus Shares	92,531,290	-	-	-	(92,531,290)	-
Profit for the half year ended December 31, 2006	-	-	-	-	109,643,196	109,643,196
Loss on derecognition of investment transferred to profit and loss account	-	-	35,656	-	-	35,656
Balance as at December 31 2006	1,017,843,830	319,433,561	-	70,000,000	986,341,144	2,393,618,545


Chief Executive

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


Director

Kohat Cement Company Limited.

Notes to the Financial Statements (Un-audited)

For the half year ended December 31, 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 June 30, 2006.

4. SIGNIFICANT ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2006.

5. LONG TERM FINANCES

During the period under review the Company has further drawn Rs. 1,950 million out of the Syndicated Term Finance limit of Rs. 2.8 billion availed from a consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited for its ongoing grey cement 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.

	31 December 2006 (Rupees)	30 June 2006 (Rupees)
6.2 Commitments in respect of:		
- Capital expenditure.	1,042,998,782	2,420,441,209
- Other than capital expenditure	90,045,920	42,653,190

7. OPERATING FIXED ASSETS

	31 December 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, property and equipment	2,224,000	463,057,504
Laboratory equipments	-	1,094,415
Furniture, fixtures and office equipment	277,375	2,438,365
Computers and printers	199,531	1,001,107
Vehicles	9,010,100	25,377,684
Heavy vehicles	-	3,124,500
	17,806,683	608,937,015
Disposals (Net book value)		
Freehold land	(7,837,651)	-
Furniture, fixtures and office equipment	-	(9,345)
Vehicles	(2,069,676)	(2,996,241)
Heavy vehicles	(489,096)	-
	(10,396,423)	(3,005,586)
Depreciation charge for the period	(55,271,231)	(91,632,485)
Closing written down value	1,042,245,010	1,095,105,981

8. CAPITAL WORK IN PROGRESS

	31 December 2006 (Rupees)	30 June 2006 (Rupees)
Existing plant - civil works	24,028,691	14,587,136
Expansion project - grey cement		
Civil works	952,113,936	425,279,621
Plant and machinery	2,011,925,874	109,245,962
Advances to plant suppliers	125,033,608	390,030,791
Stores held for capital expenditure	64,493,523	38,487,395
Letter of credit in process	8,520,875	6,656,471
	3,162,087,816	969,700,240
	3,186,116,507	984,287,376

9. PROVISION FOR TAXATION

	July to December 2006 (Rupees)	July to December 2005 (Rupees)
Current	39,601,386	76,002,134
Deferred	(7,161,762)	17,188,000
	32,439,624	93,190,134

10. TRANSACTIONS WITH RELATED PARTIES

There are no significant transactions with related parties during the period.

11. DATE OF AUTHORIZATION FOR ISSUE

These unaudited quarterly financial statements were authorized for issue by the Board of Directors of the Company on February 22, 2007.


Chief Executive


Director

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Kohat Cement Company Limited
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