

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

Board of Directors

Mr. Aizaz Mansoor Sheikh
Chief Executive

Mr. Nadeem Atta Sheikh
Mrs. Ghazala Amjad
Mrs. Hafsa Nadeem
Mr. Omer Aizaz Sheikh
Mr. Ibrahim Tanseer Sheikh
Mr. Muhammad Atta Tanseer Sheikh

Audit Committee

Mr. Ibrahim Tanseer Sheikh
Chairman

Mrs. Hafsa Nadeem
Mr. Omer Aizaz Sheikh

Company Secretary

Mohammad Hashim Khan

Legal Advisor

Qazi Waheed-ud-Din

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar

AZM Computers (Pvt.) Limited
24-Ferozepur Road,
Mozang Chungi, Lahore.
Tel: (042) 37552269
Fax: (042) 37576129

Registered Office and Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.
Tel: (0922) 560990
Fax: (0922) 560405
E-mail: finance@kohatcement.com

Head Office

37 - P, Gulberg - II, Lahore.
Tel: (042) 11 111 5225
Fax: (042) 3575 4084
E-mail: cfo@kohatcement.com

Bankers of the Company

Standard Chartered Bank (Pak) Ltd.
The Bank of Khyber
Askari Bank Limited
Soneri Bank Limited
National Bank of Pakistan
KASB Bank Limited
The Bank of Punjab
Bank Alfalah Limited
MCB Bank Limited
Allied Bank Limited
United Bank Limited



DIRECTORS' REVIEW

The Directors of Kohat Cement Company Limited take pleasure in presenting the financial statements of the Company for 2nd quarter and half year ended on December 31, 2010.

Financial and operational performance - Comparison of results for the quarter and half year ended December 31, 2010 as against December 31, 2009 is as follows:

	2 nd Quarter ended December 31,		Half year ended December 31,	
	2010 (Rupees)	2009 (Rupees)	2010 (Rupees)	2009 (Rupees)
Net sales revenue	1,581,749,852	699,020,668	2,515,897,330	1,406,824,150
Earnings before interest, tax & depreciation	276,923,707	101,947,763	431,456,748	236,854,117
Depreciation	(94,664,321)	(62,628,242)	(152,343,965)	(113,087,300)
Finance costs	(164,750,213)	(168,435,360)	(329,348,863)	(337,376,312)
Profit / (Loss) before taxation	17,509,173	(129,115,839)	(50,236,080)	(213,609,495)
Taxation	(9,275,130)	58,936,835	(24,478,298)	65,184,373
Profit / (Loss) after taxation	8,234,043	(70,179,004)	(74,714,378)	(148,425,122)
Earnings / (Loss) per share	0.06	(0.55)	(0.58)	(1.15)

The net sales revenue for the half-year has increased by 78.84% from the corresponding half year, while the increase for the 2nd quarter is 126.28% over the corresponding 2nd quarter. Reasons for increase in revenue are 54.05% increase in sales volumes coupled with increase in cement prices.

Company produced 701,671 tons (2009: 455,484 tons) of clinker during the half year and 514,800 tons (2009: 284,233 tons) during the 2nd quarter from its new grey cement line representing capacity utilization of 69.81% during the half year and 102.5% during the 2nd quarter. Old grey cement line was closed due to poor demand in the market for the whole period. The cement dispatches were 659,036 tons (2009: 428,342 tons) during the half year and 397,691 tons (2009: 235,009 tons) during the 2nd quarter. There was no production or dispatches of white cement due to non-availability of gas from SNGPL.

Future outlook - In the light of present economic and political situation, management will try its best to sustain company's current growth in future.

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 26, 2011



Independent Auditors Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Kohat Cement Company Limited** ("the Company") as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarters ended 31 December 2010 and 31 December 2009 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

Lahore: February 26, 2011

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)



**Condensed Interim Balance Sheet (Un-audited)
As at December 31, 2010**

	Note	(Un-audited) Dec. 31, 2010 (Rupees)	(Audited) June 30, 2009 (Rupees)
Share capital and reserves			
Authorized share capital		<u>1,500,000,000</u>	<u>1,500,000,000</u>
Issued, subscribed and paid up capital		1,287,572,410	1,287,572,410
Reserves		80,596,561	51,278,714
Accumulated profit		<u>547,404,369</u>	<u>622,118,747</u>
		<u>1,915,573,340</u>	<u>1,960,969,871</u>
Non-current liabilities			
Long term finances - secured	5	<u>3,589,320,080</u>	<u>3,049,320,000</u>
Long term security deposits and retention money		159,690,519	155,923,337
Deferred liabilities	6	<u>214,508,866</u>	<u>62,669,613</u>
Derivative financial liabilities		<u>195,852,430</u>	<u>202,024,046</u>
		<u>4,159,371,895</u>	<u>3,469,936,996</u>
Current liabilities			
Trade and other payables		<u>1,088,173,443</u>	<u>734,312,487</u>
Accrued mark up on secured loans	7	<u>525,517,916</u>	<u>504,895,065</u>
Short term finances - secured		<u>1,476,635,472</u>	<u>1,406,895,249</u>
Current portion of:			
Long term finances - secured		28,483,340	594,333,425
Liabilities against assets subject to finance lease - secured		<u>1,067,262</u>	<u>2,036,713</u>
		<u>3,119,877,433</u>	<u>3,242,472,939</u>
Contingencies and commitments			
	8	<u>-</u>	<u>-</u>
		<u>9,194,822,668</u>	<u>8,673,379,806</u>
Non-current assets			
Operating fixed assets	9	<u>6,569,921,511</u>	<u>6,368,030,446</u>
Capital work-in-progress	10	<u>630,739,442</u>	<u>861,363,339</u>
Intangible assets		2,687,283	2,587,653
Long term loans and advances		28,964,999	28,832,286
Long term deposits		<u>5,397,440</u>	<u>5,397,440</u>
		<u>7,237,710,675</u>	<u>7,266,211,164</u>
Current assets			
Stores, spares and loose tools		<u>727,755,335</u>	<u>638,000,427</u>
Stock in trade		<u>701,730,329</u>	<u>290,433,057</u>
Trade debts		<u>29,219,378</u>	<u>20,010,133</u>
Advances, deposits, prepayments and other receivables		<u>461,449,229</u>	<u>430,703,292</u>
Cash and bank balances		<u>36,957,722</u>	<u>28,021,733</u>
		<u>1,957,111,993</u>	<u>1,407,168,642</u>
		<u>9,194,822,668</u>	<u>8,673,379,806</u>

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Executive



Director



**Condensed Interim Profit and Loss Account (Un-audited)
For the Half Year and Quarter ended December 31, 2010**

	Note	2010		2009	
		July to December (Rupees)	October to December (Rupees)	July to December (Rupees)	October to December (Rupees)
Sales - net		2,515,897,330	1,581,749,852	1,406,824,150	699,020,668
Cost of goods sold		2,208,586,349	1,394,806,667	1,258,336,455	647,843,891
Gross profit		307,310,981	186,943,185	148,487,695	51,176,777
Selling and distribution cost		15,885,333	9,089,924	19,353,962	11,960,742
Administrative and general expenses		22,167,813	11,162,923	17,914,703	8,963,083
Other operating expenses		6,694,752	(185,175)	332,255	332,255
Other operating income		(16,549,700)	(15,383,873)	(12,880,042)	(9,398,824)
		28,198,198	4,683,799	24,720,878	11,857,256
Operating profit		279,112,783	182,259,386	123,766,817	39,319,521
Finance cost		329,348,863	164,750,213	337,376,312	168,435,360
(Loss)/profit before taxation		(50,236,080)	17,509,173	(213,609,495)	(129,115,839)
Taxation	11	24,478,298	9,275,130	(65,184,373)	(58,936,835)
(Loss)/profit after taxation		(74,714,378)	8,234,043	(148,425,122)	(70,179,004)
(Loss)/earning per share (basic and diluted)		(0.58)	0.06	(1.15)	(0.55)

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Executive



Director



**Condensed Interim Statement of Comprehensive Income (Un-audited)
For the Half Year and Quarter ended December 31, 2010**

	2010		2009	
	July to December (Rupees)	October to December (Rupees)	July to December (Rupees)	October to December (Rupees)
(Loss)/profit after taxation	(74,714,378)	8,234,043	(148,425,122)	(70,179,004)
Fair value adjustment of cash flow hedge	6,171,617	19,116,407	(33,982,762)	6,536,842
Re-pricing settlement received from cash flow hedge	25,056,572	-	21,004,520	-
Deferred tax on cash flow hedge	(1,910,342)	(6,364,029)	9,272,063	(2,193,256)
Other comprehensive income/(loss) - net of tax	29,317,847	12,752,378	(3,706,179)	4,343,586
Total comprehensive Income/(loss) for the period	<u>(45,396,531)</u>	<u>20,986,421</u>	<u>(152,131,301)</u>	<u>(65,835,418)</u>

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Executive



Director



**Condensed Interim Cash Flow Statement (Un-audited)
For the Half Year ended December 31, 2010**

	Note	2010 (Rupees)	2009 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	12	187,283,606	247,156,759
Finance cost paid		(191,148,248)	(246,653,562)
Re-pricing settlement received from cash flow hedge		25,056,572	21,004,520
Dividend paid		(2,295)	-
Contribution to retirement benefits		(440,008)	(164,254)
Compensated absences paid		(336,188)	(302,756)
Income tax paid		(31,031,217)	(42,250,791)
Net cash outflow from operating activities		(10,617,778)	(21,210,084)
Cash flow from investing activities			
Fixed capital expenditure		(26,754,205)	(133,503,910)
Sale proceeds of property, plant and equipment		2,055,224	4,429,841
Profit on bank deposits		1,232,629	1,481,542
Decrease/(increase) in long term loans and advances		99,341	(163,622)
Increase in long term security deposits and retention money		-	(1,404,750)
Net cash used in investing activities		(23,367,011)	(129,160,899)
Cash flow from financing activities			
Proceeds from long term finances		-	32,102
Repayments of long term finances		(25,849,998)	(12,500,000)
Repayment of finance lease liabilities		(969,451)	(812,843)
Net cash used in financing activities		(26,819,449)	(13,280,741)
Net decrease in cash and cash equivalents		(60,804,238)	(163,651,723)
Cash and cash equivalents at the beginning of the period		(1,378,873,512)	(1,363,827,507)
Cash and cash equivalents at the end of the period	13	(1,439,677,750)	(1,527,479,230)

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Executive



Director



**Condensed Interim Statement of Changes in Equity (Un-audited)
For the Half Year ended December 31, 2010**

	Rupees					
	Share Capital	Share Premium	General Reserve	Hedging Reserve	Accumulated Profit	Total
Balance as at 30 June 2009	1,287,572,410	49,704,951	70,000,000	(85,626,085)	949,895,889	2,271,547,165
Total comprehensive loss for the half year ended 31 December 2009	-	-	-	(3,706,179)	(148,425,122)	(152,131,301)
Balance as at 31 December 2009	1,287,572,410	49,704,951	70,000,000	(89,332,264)	801,470,767	2,119,415,864
Balance as at 30 June 2010	1,287,572,410	49,704,951	70,000,000	(68,426,237)	622,118,747	1,960,969,871
Total comprehensive income/(loss) for the half year ended 31 December 2010	-	-	-	29,317,847	(74,714,378)	(45,396,531)
Balance as at 31 December 2010	1,287,572,410	49,704,951	70,000,000	(39,108,390)	547,404,369	1,915,573,340

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Executive


Director



Notes to the Condensed Interim Financial Statements (Un-audited) For the Half Year ended December 31, 2010

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 BASIS OF PREPARATION

These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. The condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010.

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of financial statements for the year ended 30 June 2010.

4 SIGNIFICANT ESTIMATES

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense and related disclosures at the date of financial statements. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by management in applying accounting policies, key estimates and uncertainty includes:

- Depreciation method, residual values and useful life of depreciable assets
- Taxation
- Staff retirement benefits
- Provisions and Contingencies
- Derivative financial instruments

5. LONG TERM FINANCES - SECURED	Note	Dec. 31, 2010 Rupees	June 30, 2010 Rupees
Pak Oman Investment Company Limited		8,333,420	20,833,425
Standard Chartered Bank (Pakistan) Limited		95,150,000	108,500,000
Redeemable capital - Sukuk Certificates		2,414,320,000	2,414,320,000
Consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited	5.1	<u>1,100,000,000</u>	<u>1,100,000,000</u>
		<u>3,617,803,420</u>	<u>3,643,653,425</u>
Less: Current maturity shown under current liabilities		<u>(28,483,340)</u>	<u>(594,333,425)</u>
		<u><u>3,589,320,080</u></u>	<u><u>3,049,320,000</u></u>

- 5.1 In November 2010, all the consortium members have agreed in principle to restructure the long term facility. According to revised terms, a grace period of three years has been allowed in principal repayments and now these payments will be paid in 15 quarterly installments commencing December 2012 and will end in June 2016. Markup has been charged at the rate of six month KIBOR plus 1.8% for the period from December 2007 to December 2009 and thereafter at the rate of three months KIBOR plus 1.8%. Payment of outstanding mark up of Rs. 81.1 million as of 20 December 2009 has been deferred and further Company has been allowed to make partial payments against the quarterly mark up payments due for the period March 2010 to September 2011. The deferred mark up shall be settled along with normal quarterly mark up payments during the period December 2011 to June 2016. Out of the total accrued mark up Rs. 252 million as at balance sheet date, Rs. 47 million is due within next financial year and the balance amount of Rs. 205 million is due after one year. All mark up payments are payable on quarterly basis. A formal restructuring agreement in this regard has been signed by all the lenders on 22 February 2011.

The facility is secured by way of first joint pari passu hypothecation/equitable mortgage charge over all present and future fixed assets and immovable properties of the Company to the extent of Rs. 1,520 million (2009: Rs. 1,520 million).



6	DEFERRED LIABILITIES - SECURED	Note	Dec. 31, 2010 Rupees	June 30, 2010 Rupees
	Staff retirement benefits		6,128,827	6,196,321
	Deferred Taxation		2,898,505	2,463,266
	Deferred markup	6.1	<u>205,481,534</u>	<u>54,010,026</u>
			<u>214,508,866</u>	<u>62,669,613</u>
	6.1 Deferred markup on:			
	Sukuk Certificates		-	54,010,026
	Syndicated Term Finance	5.1	<u>205,481,534</u>	<u>-</u>
			<u>205,481,534</u>	<u>54,010,026</u>
7	ACCRUED MARKUP			
	This includes over due mark up of Rs. 25.436 million out of which Rs. 2.85 million has been paid subsequent to balance sheet date.			
8	CONTINGENCIES AND COMMITMENTS			
	8.1 Contingencies			
	There is no material change in the contingent liabilities of the Company since the last annual balance sheet date.			
	8.2 Commitments in respect of:			
	- Capital expenditure		-	-
	- Other than capital expenditure		<u>16,920,392</u>	<u>471,955,406</u>
9	PROPERTY, PLANT AND EQUIPMENT			
	Opening written down value		6,368,030,446	6,352,852,944
	Additions (Cost)			
	Factory building	9.1	241,999,199	239,254,165
	Head office building		228,440	4,340,267
	Plant, machinery and equipment	9.1	109,359,915	27,551,205
	Power installations		52,400	-
	Furniture, fixtures and office equipment		1,338,431	5,333,736
	Computers and printers		1,288,934	2,217,540
	Light vehicles		871,687	1,823,281
	Heavy vehicles		-	315,000
	Laboratory equipments		678,390	188,000
			<u>355,817,396</u>	<u>281,023,194</u>
	Disposals (Net book value)			
	Vehicles		(1,128,003)	(2,157,163)
	Plant, machinery and equipments		(454,363)	(7,964,729)
	Furniture, fixtures and other office equipment		-	(29,770)
			<u>(1,582,366)</u>	<u>(10,151,662)</u>
	Depreciation charge for the period		<u>(152,343,965)</u>	<u>(255,694,030)</u>
	Closing written down value		<u>6,569,921,511</u>	<u>6,368,030,446</u>

9.1 Addition in Factory building and Plant, machinery and equipment includes assets transferred from Capital work in progress aggregating to Rs. 240.9 million (30 June 2010: Rs. 239.3 million) and Rs. 42.9 million (30 June 2010: Rs. 27.6 million) respectively.



10	CAPITAL WORK IN PROGRESS	Note	Dec. 31, 2010 Rupees	June 30, 2010 Rupees
	Civil works		80,127,123	313,618,986
	Plant, machinery and equipment		426,367,956	457,393,732
	Stores held for capital expenditure		2,003,389	2,003,389
	Advances to suppliers		1,879,147	1,879,147
	Borrowing costs		120,361,827	86,468,085
			<u>630,739,442</u>	<u>861,363,339</u>
11	TAXATION		July to Dec. 2010 Rupees	July to Dec. 2009 Rupees
	Current		25,953,400	9,269,716
	Deferred		(1,475,102)	(74,454,089)
			<u>24,478,298</u>	<u>(65,184,373)</u>
12	CASH GENERATED FROM OPERATIONS			
	Loss before taxation		(50,236,080)	(213,609,495)
	Adjustments for non-cash expenses and other items:			
	Depreciation on property, plant and equipment		152,343,965	113,087,300
	Amortization on intangible assets		299,369	256,892
	(Profit)/loss on sale of property, plant and equipments		(446,857)	434,532
	Profit/mark-up on bank deposit		(1,232,629)	(757,468)
	Staff retirement benefits		585,210	711,647
	Compensated absences		123,492	147,978
	Exchange fluctuation loss/(gain)		2,962,502	(3,846,320)
	Finance cost		329,348,863	337,376,312
			<u>483,983,915</u>	<u>447,410,873</u>
			433,747,835	233,801,378
	(Increase)/decrease in current assets:			
	Stores, spares and loose tools		(154,945,633)	11,425,752
	Stock in trade		(411,297,272)	(112,204,254)
	Trade debts		(9,209,245)	(8,936,048)
	Advances, deposits, prepayments and other receivables		(24,972,988)	160,349,118
	Increase/(decrease) in current liabilities			
	Trade and other payables		353,960,909	(37,279,187)
			<u>(246,464,229)</u>	<u>13,355,381</u>
			<u>187,283,606</u>	<u>247,156,759</u>
13	CASH AND CASH EQUIVALENTS			
	Cash and bank balances		36,957,722	21,678,897
	Short term finances		(1,476,635,472)	(1,549,158,127)
			<u>(1,439,677,750)</u>	<u>(1,527,479,230)</u>
14	TRANSACTIONS WITH RELATED PARTIES			
	There are no significant transactions with related parties during the period.			
15	DATE OF AUTHORIZATION FOR ISSUE			
	These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 26, 2011.			
16	GENERAL			
	Figures have been rounded off to nearest rupee.			



Chief Executive



Director

