



**3RD QUARTER &
NINE MONTHS REPORT
(UN-AUDITED)
31 MARCH 2008**

**KOHAT CEMENT
COMPANY LIMITED**

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 3rd quarter and nine-month period ended on March 31, 2008 of the current financial year.

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

Production	3rd quarter ended March, 31		Nine-month ended March, 31	
	2008 (Tons)	2007 (Tons)	2008 (Tons)	2007 (Tons)
- Clinker				
Grey Cement	110,335	122,270	322,880	388,375
White Cement	3,502	5,250	10,087	14,145
- Cement				
Grey	105,904	142,310	336,074	417,279
(Capacity utilization)	74.71%	100.40%	79.07%	98.12%
White	3,447	5,550	13,335	15,442
(Capacity utilization)	9.72%	15.00%	12.94%	14.53%

Cement Dispatches:

- Grey Cement	111,071	148,470	338,460	414,440
Local	68,905	84,550	199,476	255,853
Export	40,111	56,072	131,893	138,160
In-house consumption	2,095	7,848	7,091	22,427
- White Cement	3,709	6,759	13,659	10,381
Local	2,455	5,809	9,934	14,206
Export	1,254	950	3,725	2,175

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

	3rd quarter ended March, 31		Nine-month ended March, 31	
	2008 (Rupees)	2007 (Rupees)	2008 (Rupees)	2007 (Rupees)
Net Sales Revenue	337,029,629	408,034,587	976,527,049	1,230,870,366
Operating profit/(loss)	(22,328,888)	28,275,063	(10,556,484)	242,740,321
Profit/(loss) before taxation	(36,543,054)	36,690,098	(294,009,862)	201,307,150
Taxation	17,880,958	11,292,398	(56,905,360)	83,481,830
Profit/(loss) after taxation	(54,424,012)	25,397,700	(227,104,502)	197,845,320
Earnings/(loss) per share	(0.46)	0.22	(1.94)	1.08

The loss during the periods under review is mainly attributable to the followings factors:

- Reduced grey cement production due to irregular power supply from WAPDA.
- Under utilization of white cement plant due to low market demand.
- Decrease in cement prices.
- Increase in cost of production mainly due to increase in coal prices, empty cement bags and diesel.
- Golden handshake to all the unionized permanent workers.

Keeping in view the strong growth in local demand of cement and international shortage, the management foresees high growth period in cement demand. The management is confident that with the commencement of commercial production of New Grey Cement Plant the Company would be able to earn reasonable profits.

Accounting Policy - The accounting policies have been consistently applied in preparation of these interim financial statements except for change in accounting policy for treatment of borrowing costs stated in note no. 3 to the accounts.

Expansion Project - Commissioning of the New Grey Cement Plant of 6700 TPD clinker capacity has started and inshallah the commercial production will commence by the end of current financial year.

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: April 26, 2008

Kohat Cement Company Limited

Balance Sheet (Un-Audited)

As at March 31, 2008

	Note	(Un-audited) March 31, 2008 (Rupees)	(Audited) June 30, 2007 (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised share capital		1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital		1,170,520,370	1,017,843,800
Reserves		273,610,791	396,306,773
Unappropriated profit		918,138,055	1,145,242,557
		<u>2,362,269,216</u>	<u>2,559,393,130</u>
NON CURRENT LIABILITIES			
Long term finances - secured	5	3,207,105,263	2,703,308,354
Liabilities against assets subject to finance lease		4,075,227	-
Long term security deposits and retention money		124,189,676	106,808,320
Deferred liabilities		168,804,477	228,068,951
		<u>3,504,174,643</u>	<u>3,038,185,625</u>
CURRENT LIABILITIES			
Trade and other payables		306,039,020	178,982,959
Mark up payable on secured loans		130,153,578	12,260,606
Short term running finances - secured		546,559,070	146,434,421
Current portion of long term liabilities:			
Long term finances		516,964,286	218,120,218
Liabilities against assets subject to finance lease		1,424,773	-
		<u>1,501,140,727</u>	<u>555,798,204</u>
CONTINGENCIES AND COMMITMENTS			
	8	-	-
		<u>7,367,584,586</u>	<u>6,153,376,959</u>
NON CURRENT ASSETS			
Property, plant and equipment:			
Operating fixed assets	7	958,393,218	1,023,528,041
Capital work-in-progress	8	5,429,709,523	4,523,798,192
		<u>6,388,102,741</u>	<u>5,547,326,233</u>
Long term loans and advances		37,701,292	45,731,201
Long term deposits		41,759,640	3,879,440
		<u>6,467,563,673</u>	<u>5,596,936,874</u>
CURRENT ASSETS			
Stores, spares and loose tools		367,642,716	157,436,002
Stock in trade		149,244,611	125,147,740
Trade debts		18,451,987	21,381,453
Advances, deposits, prepayments and other receivables		283,631,426	120,072,947
Cash and bank balances		81,050,173	132,401,943
		<u>900,020,913</u>	<u>556,440,085</u>
		<u>7,367,584,586</u>	<u>6,153,376,959</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 and nine months period ended March 31, 2008

Note	3rd Quarter (Jan-Mar)		Nine-Months (July-Mar)	
	2008 (Rupees)	2007 (Rupees) (Restated)	2008 (Rupees)	2007 (Rupees) (Restated)
Sales - net	337,029,629	406,034,587	976,527,049	1,230,870,386
Cost of goods sold	344,586,990	355,796,575	937,255,445	938,022,014
Gross profit/(loss)	(7,559,361)	50,238,012	39,271,604	292,848,352
Distribution cost	6,512,183	6,247,333	19,276,890	14,793,318
Administrative and general Expenses	8,257,344	15,715,616	30,551,198	35,314,713
	14,769,527	21,962,949	49,828,088	50,108,031
Operating profit/(loss)	(22,328,888)	28,275,063	(10,556,484)	242,740,321
Other operating expenses 9	5,796,649	(2,855,275)	277,949,873	9,638,300
	(28,127,537)	31,130,338	(288,506,357)	233,102,021
Other operating income	6,682,061	11,439,411	32,360,462	43,706,620
Profit/(loss) from operations	(21,445,476)	42,569,749	(256,145,895)	276,808,641
Finance costs	15,098,378	5,879,851	27,863,967	15,501,491
Profit/(Loss) before taxation	(36,543,854)	36,690,098	(284,009,862)	261,307,150
Taxation 10	17,880,958	11,292,398	(56,905,360)	83,461,830
Profit/(Loss) after taxation	(54,424,812)	25,397,700	(227,104,502)	197,845,320
Earnings/(loss) per share	(0.46)	0.22	(1.94)	1.69

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 nine months period ended March 31, 2008

	2008 (Rupees)	2007 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(284,009,862)	261,307,150
Adjustments for:		
Depreciation on property, plant and equipment	76,762,301	83,404,676
Profit on sale of property, plant and equipment	(1,809,652)	(3,604,577)
Exchange fluctuation loss	8,701,122	-
Profit/mark-up on bank deposit	(4,149,399)	(32,126,702)
Profit on sale of investment	-	(54,945)
Finance cost	27,863,967	15,501,491
	107,368,339	63,119,943
	(176,641,523)	324,427,093
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(210,206,714)	(30,486,994)
Stock in trade	(24,096,871)	8,716,301
Trade debts	2,929,466	(6,761,445)
Advances, deposits, prepayments and other receivables	(119,953,230)	(33,135,539)
Increase/(decrease) in current liabilities:		
Trade and other payables	127,056,061	20,481,671
	(224,271,288)	(41,186,006)
Cash generated from operations	(400,912,811)	283,241,087
Finance cost paid	(246,223,695)	(165,596,739)
Compensated absences paid	(4,448,920)	(83,976)
Income tax paid	(12,538,719)	(62,314,245)
Net cash (outflow)/inflow from operating activities	(664,124,145)	55,246,127
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(589,323,729)	(2,639,431,950)
Sale proceeds of property, plant and equipment	9,847,272	14,001,000
Profit on bank deposits	5,153,263	33,900,215
Decrease in long term loans and advances	8,029,909	(1,936,704)
Decrease in long term deposits	(37,880,200)	1,089,800
Increase/(decrease) in long term security deposits	8,690,234	(3,150,000)
Short term investment	-	6,890,600
Net cash outflow from investing activities	(595,493,251)	(2,588,837,039)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term finances	4,100,523,808	2,576,785,711
Repayments of long term finances	(3,297,882,831)	(44,148,330)
Repayment of finance lease liabilities	5,500,000	(22,007,790)
Net cash inflow from financing activities	808,140,977	2,510,629,591
NET DECREASE IN CASH AND CASH EQUIVALENTS	(451,476,419)	(22,961,321)
CASH AND CASH EQUIVALENTS - at the beginning of the year	(14,032,478)	599,488,724
CASH AND CASH EQUIVALENTS - at the end of the year	(465,508,897)	576,527,403
Cash and Cash Equivalents Comprises:		
Cash and bank balances	81,050,173	600,725,516
Short term running finances	(546,559,070)	(24,198,113)
	(465,508,897)	576,527,403

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 Nine months period ended March 31, 2008

	Share Capital	Share Premium	Fair value reserve	General reserve	Hedging reserve	Unappropriated Profit	Total
RUPEES							
Balance as at 30 June 2006	628,212,840	218,433,981	(28,686)	70,000,000	-	989,229,248	2,297,879,899
Effect of change in accounting policy of Borrowing Costs (net of income tax expense of Rs. 0.5 million)	-	-	-	-	-	20,176,891	20,176,891
Balance as at 30 June 2006 (Restated)	628,212,840	218,433,981	(28,686)	70,000,000	-	989,426,149	2,304,178,394
Issuance of 15% Bonus Shares	82,531,296	-	-	-	-	(82,531,296)	-
Profit for the nine-month period ended March 31, 2007 (Restated)	-	-	-	-	-	187,845,320	187,845,320
Loss on derecognition of investment transferred to PFR and loss account	-	-	35,000	-	-	-	35,000
Balance as at March 31 2007 (Restated)	1,617,644,396	218,433,981	-	70,000,000	-	1,094,740,169	2,911,298,472
Balance as at 30 June 2007	1,617,644,396	218,433,981	-	70,000,000	6,873,212	923,895,571	2,936,056,143
Effect of change in accounting policy of Borrowing Costs (net of income tax expense of Rs. 0.5 million)	-	-	-	-	-	219,738,987	219,738,987
Balance as at 30 June 2007 (Restated)	1,617,644,396	218,433,981	-	70,000,000	6,873,212	1,143,634,558	2,954,995,130
Issuance of 15% Bonus Shares	152,678,875	(152,678,875)	-	-	-	-	-
Loss for the nine-month period ended March 31, 2008	-	-	-	-	-	(221,169,842)	(221,169,842)
Unrealized gain on derivative financial assets (net of deferred tax impact of Rs. 1,794,007)	-	-	-	-	19,960,599	-	19,960,599
Balance as at March 31 2008	1,770,323,271	165,755,106	-	70,000,000	19,960,599	872,464,716	2,828,203,272

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


Chief Executive


Director

Notes to the Financial Statements (Un-audited)

For the Quarter and nine months period ended March 31, 2008

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 IAS 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 2007 except for change in accounting policy for treatment of borrowing costs related to Grey Cement Expansion Project of 6700 tpd clinker capacity 'the project' which is currently under construction.

Previously Company expensed such costs, and after change in accounting policy, these costs will be capitalized and shall form part of the cost of the project. Management believes that this revised policy provides reliable and more relevant information because it results in a more appropriate treatment of finance costs and is consistent with local industry practice, making Company's financial statements more comparable.

This change in accounting policy has been accounted for retrospectively, and the comparative statements for current and prior periods (Quarter and 9-Month period ended March 31, 2008 & 2007) and for year ended June 30, 2007 have been restated and the effect of the change is tabulated below. Opening retained earnings for 9-Month period ended March 31, 2007 have been increased by Rs. 20,176,301, which is the amount of adjustment relating to periods prior to year ended June 30, 2007.

	3rd Quarter (Jan-Mar)		Nine-Months (Jul-Mar)	
	2008 (Rupees)	2007 (Rupees)	2008 (Rupees)	2007 (Rupees)
Decrease in finance costs	109,039,546	78,478,096	336,252,700	161,012,328
Increase in income tax expense	(38,446,842)	(18,700,189)	(38,446,842)	(38,489,997)
Net increase in profits	70,592,704	59,777,907	297,805,858	122,522,331
Increase in EPS	0.60	0.51	2.54	1.05
			March 31 2008 (Rupees)	June 30 2007 (Rupees)
Increase in capital work in progress of the project			625,319,055	289,066,355
Increase in unappropriated profit net of income tax expense			517,542,845	219,738,987

These condensed interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2007.

Kohat Cement Company Limited

Notes to the Financial Statements (Un-audited)

For the Quarter and nine months period ended March 31, 2008

4. SIGNIFICANT ESTIMATES

The preparation of 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 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 source of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2007.

5. LONG TERM FINANCES

The Company has refinanced its existing STF facilities aggregating to Rs. 3,640 million by raising finances through issuance of Sukuk Certificates for Rs. 2,500 million and further Rs. 1,140 million from STF. These new facilities carry mark - up at the rate of six month KIBOR plus 1.8%, payable semi annually in arrears. The principal is repayable in 10 stepped up semi annual installments commencing December 2007. The facilities are secured by way of first pan passu hypothecation/equitable mortgage over all present and future fixed assets of the Company to the extent of Rs. 4,853 million.

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 March 2008 (Rupees)	30 June 2007 (Rupees)
6.2 Commitments in respect of:		
- Capital expenditure	146,397,992	372,566,926
- Other than capital expenditure	136,112,255	50,904,000

7. Operating fixed assets

	1,023,528,041	1,095,105,981
Opening written down value		
Additions (Cost)		
Freehold land	-	6,095,677
Factory buildings	-	395,324
Housing Colony	-	244,985
Plant, machinery and equipment	-	34,813,209
Furniture, fixtures and office equipment	409,857	475,477
Computers and printers	481,950	338,908
Vehicles	13,273,381	9,989,102
Heavy vehicles - leased	5,500,000	-
	19,665,088	52,182,882
Disposals (Net book value)		
Freehold land	-	(7,837,651)
Furniture, fixtures and office equipment	(47,272)	(34,929)
Vehicles	(7,990,348)	(2,110,163)
Heavy vehicles	-	(1,867,845)
	(8,037,620)	(11,850,578)
Depreciation charge for the period	(76,762,301)	(111,880,044)
Closing written down value	956,393,218	1,023,528,041

8. CAPITAL WORK IN PROGRESS

	41,537,373	31,210,294
Existing plant		
Civil works	2,020,927	-
Plant and machinery	43,558,300	31,210,294
Expansion project - grey cement:		
Civil works	1,487,522,553	1,252,459,181
Plant, machinery and equipment	2,142,340,036	2,743,893,911
Advances to plant suppliers	4,479,550	73,855,154
Stores held for capital expenditure	109,374,403	127,034,680
Letter of credit in process	17,115,530	6,278,637
Borrowing costs	628,319,055	289,066,355
	5,386,151,222	4,492,587,898
	5,429,709,523	4,523,798,192

9. OTHER OPERATING EXPENSES

These include one time golden handshake payments aggregating Rs. 267.41 million paid to permanent unionised workers of the Company in pursuance to Voluntary Separation Scheme offered to these workers by the Company and accepted by them.

10. TAXATION

	2008 July to March (Rupees)	2007 July to March (Rupees)
Current	5,044,221	29,207,734
Deferred	(61,949,581)	34,254,096
	(56,905,360)	63,461,830

11. Date of authorization for issue

These un-audited quarterly financial statements were authorized for issue by the Board of Directors of the Company on April 26, 2008.


Chief Executive


Director