2ND QUARTER & HALF YEARLY REPORT

(UN-AUDITED)

31 DECEMBER 2008

THE STRENGTH
KOHAT CEMENT

KOHAT CEMENT
COMPANY LIMITED

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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, 2008.

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

	2nd Quarter ended December 31,		Half year ended December 31,	
Production:	**2008 (Tons)**	2007 (Tons)	**2008 (Tons)**	2007 (Tons)
- Clinker:				
Grey	129,555	94,050	218,359	204,545
White	-	-	8,758	6,555
- Cement:				
Grey	150,105	98,775	246,775	230,170
White	4,702	2,888	10,034	9,888
Cement Dispatches:				
- Grey Cement	145,838	93,806	235,214	227,389
Local	110,485	57,832	173,174	130,571
Export	33,683	33,953	57,940	91,782
In-house consumption	1,670	2,021	4,100	5,036
- White Cement	4,599	4,074	9,670	9,950
Local	3,486	3,206	6,842	7,479
Export	1,113	868	2,827	2,471
In-house consumption	-	-	1	-

Financial results - The financial results for the period under review are as under:

	2nd Quarter ended December 31,		Half year ended December 31,	
	2008 (Rupees)	2007 (Rupees)	**2008 (Rupees)**	2007 (Rupees)
Net sales revenue	693,732,138	266,924,579	1,118,915,501	639,497,420
Loss before taxation	(142,778,500)	(292,482,849)	(90,328,727)	(247,466,008)
Taxation	(28,600,486)	(46,298,964)	(14,362,658)	(74,786,318)
Loss after taxation	(114,178,014)	(246,183,885)	(75,966,069)	(172,679,690)
Loss per share	(0.89)	(1.91)	(0.59)	(1.34)

The increase in net sales revenue is attributable to the increase in prices of cement during the current period, which has resulted in increase of net profit for the half year and for the second quarter as compared to the comparable periods. Management is confident that this stable market will sustain in the foreseeable future.

New Grey Cement Plant of 6700 tpd has commenced commercial production from November 2008 after which the installed clinker production capacity of the plant has increased from 540,000 tons to 2,550,000 tons per year. Now the Company will have increased market share and will further be benefited from the economies of scale. This will result into healthy cash flows and increased profitability.

However, presently the Company is facing irregular power supply from WAPDA which is affecting the smooth and optimum plant operations. In order to overcome this problem the management has decided to set up a captive power plant with an estimated cost of Rs. 400 million. The Company has entered into a contract for supply of 22.6 MW Wartsila made gen sets and has established a letter of credit after paying a cash margin of Rs. 136 million.

Due to acute liquidity crunch in the market the company has not been able to secure commercial finance for the power plant thereby straining its short term cash flows and had to request its present creditors to defer the principal repayment due in December 2008 of Sukuk and Term Finance aggregating to Rs. 250 million. However, the Company is generating healthy cash flows and is confident that it would be able to meet all its future debt obligations on time.

Auditors in their review report on attached condensed interim financial statements have highlighted the non-payment of installment due on 20th December 2008 to Sukuk Certificate holders and Syndicate Term Finance members. We have comprehensively explained this matter in the foregoing paragraphs.

Relationship between management and employees has been cordial and mutually supportive.

For and on behalf of the Board

Lahore: February 25, 2009.

Aizaz Mansoor Sheikh
Chief Executive

Kohat Cement Company Limited.

Independent Report on Review of Condensed Interim Financial Information to the members of Kohat Cement Company Limited

Introduction: We have reviewed the accompanying condensed interim balance sheet of **Kohat Cement Company Limited** ("the Company") as at 31 December 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (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 relating to 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 condensed 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our conclusion, we draw attention to note 5.1 of the condensed interim financial information which fully explains the fact that the Company during the period could not fulfil principal repayment commitments and could only pay the partial amount of mark up / rentals for the period in respect of finances obtained from certain financial institutions.

The figures for the quarter ended 31 December 2008 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

For and on behalf of the Board

Lahore: February 25, 2009.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Kohat Cement Company Limited.

Condensed Interim Balance Sheet (Un-Audited)

As at 31 December 2008

	Note	(Un-audited) 31, December 2008 Rupees	(Audited) 30, June 2008 Rupees
Share capital and reserves			
Authorised share capital		1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital		1,287,572,410	1,170,520,370
Reserves		113,034,098	235,805,586
Unappropriated profit		846,837,122	922,803,191
		2,247,443,630	2,329,129,147
Non current liabilities			
Long term finances - secured	5	2,679,021,471	2,981,785,715
Liabilities against assets subject to finance lease - secured		2,941,210	3,606,712
Long term security deposits and retention money		150,145,328	135,837,621
Deferred liabilities		137,492,481	155,732,831
		2,969,600,490	3,277,042,879
Current liabilities			
Trade and other payables		299,930,277	244,465,133
Mark up payable on secured loans		295,773,797	50,719,344
Short term finances - secured		1,428,066,358	1,096,066,075
Current portion of:			
Long term finances - secured	5	1,018,441,963	625,022,321
Liabilities against assets subject to finance lease - secured		1,532,864	1,475,601
		3,043,745,169	2,017,748,474
Contingencies and commitments	6	-	-
		8,260,789,289	7,623,920,500
Non current assets			
Property, plant and equipment:			
Operating fixed assets	7	6,380,147,082	941,431,201
Capital work-in-progress	8	100,316,004	5,307,288,753
		6,480,463,086	6,248,719,954
Long term loans and advances		37,625,437	38,142,100
Long term deposits		4,429,440	4,429,440
		6,522,517,963	6,291,291,494
Current assets			
Stores, spares and loose tools		895,486,853	699,954,682
Stock in trade		208,634,303	174,317,806
Trade debts		4,562,814	15,341,081
Advances, deposits, prepayments and other receivables		495,957,215	406,020,470
Cash and bank balances		132,630,141	36,994,967
		1,738,271,326	1,332,629,006
		8,260,789,289	7,623,920,500

The attached notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

Kohat Cement Company Limited.

Condensed Interim Profit and Loss Account (Un-audited)

For the Six months period ended 31 December 2008

	Note	2008 July to December Rupees	2008 October to December Rupees	2007 July to December Rupees (Restated)	2007 October to December Rupees (Restated)
Sales - net		1,118,915,501	693,732,138	639,497,420	266,924,579
Cost of goods sold		852,030,132	545,759,707	592,666,455	267,763,317
Gross profit/(loss)		266,885,369	147,972,431	46,830,965	(838,738)
Selling and distribution cost		37,817,688	21,576,180	12,764,707	4,618,210
Administrative and general expenses		13,892,871	7,465,438	22,293,854	13,586,436
		51,710,559	29,041,618	35,058,561	18,204,646
Operating profit/(loss)		215,174,810	118,930,813	11,772,404	(19,043,384)
Other operating expenses					
Voluntary separation scheme		-	-	266,935,985	266,935,985
Other charges		-	-	5,215,239	2,880,044
Loss on derivatives financial instruments		122,813,948	122,813,948	-	-
		122,813,948	122,813,948	272,151,224	269,816,029
		92,360,862	(3,883,135)	(260,378,820)	(288,859,413)
Other operating income		18,415,675	17,847,301	25,678,401	4,095,647
		110,776,537	13,964,166	(234,700,419)	(284,763,766)
Finance cost		201,105,264	156,742,666	12,765,589	7,719,083
Loss before taxation		(90,328,727)	(142,778,500)	(247,466,008)	(292,482,849)
Taxation	9	14,362,658	28,600,486	74,786,318	46,298,964
Loss after taxation		(75,966,069)	(114,178,014)	(172,679,690)	(246,183,885)
Loss per share (basic and diluted)		(0.59)	(0.89)	(1.34)	(1.91)

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

The attached notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

Kohat Cement Company Limited.

Condensed Interim Cash Flow Statement (Un-audited)

For the Six months period ended 31 December 2008

	2008 Rupees	2007 Rupees
Cash flow from operating activities		
Loss before taxation	(90,328,727)	(247,466,008)
Adjustments for:		
Depreciation on property, plant and equipment	44,255,343	51,521,217
Profit on sale of vehicles	(140,624)	-
Profit/mark-up on bank deposit	(672,554)	(3,105,106)
Provision for staff retirement benefits	802,890	-
Provision for compensated absences	200,400	-
Exchange (gain)/loss	(13,383,505)	4,140,239
Finance cost	201,105,264	12,765,589
	232,167,214	65,321,939
	141,838,487	(182,144,069)
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(121,733,803)	(93,982,985)
Stock in trade	(34,316,491)	28,335,053
Trade debts	10,778,267	(2,980,203)
Advances, deposits, prepayments and other receivables	(40,708,983)	(152,696,275)
Increase in trade and other payables	47,880,151	59,385,648
	(138,100,859)	(161,938,762)
	3,737,628	(344,082,831)
Finance cost paid	(141,661,229)	(231,741,647)
Compensated absences paid	(195,321)	(4,060,013)
Income tax paid	(24,554,615)	(8,969,873)
Net cash outflow from operating activities	(162,673,537)	(588,854,364)
Cash flow from investing activities		
Fixed capital expenditure	(164,830,743)	(470,909,612)
Sale proceeds of vehicles	163,000	38,435
Profit on bank deposits	672,554	4,108,970
Decrease in long term loans and advances	516,663	3,383,696
Increase in long term deposits	-	(37,330,200)
Increase in long term security deposits and retention money	197,945	464,326
Net cash outflow from investing activities	(163,280,581)	(500,244,385)
Cash flow from financing activities		
Proceeds from long term finances	108,467,898	4,083,559,522
Repayments of long term finances	(17,812,500)	(3,297,882,831)
Repayment of finance lease liabilities	(1,066,389)	-
Net cash inflow from financing activities	89,589,009	785,676,691
Net decrease in cash and cash equivalents	(236,365,109)	(303,422,058)
Cash and cash and equivalents - at the beginning of the period	(1,059,071,108)	(14,032,478)
Cash and cash and equivalents - at the end of the period	(1,295,436,217)	(317,454,536)
Cash and cash equivalents comprise:		
Cash and bank balances	132,630,141	301,295,227
Short term finances	(1,428,066,358)	(618,749,763)
	(1,295,436,217)	(317,454,536)

The attached notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

Kohat Cement Company Limited.

Condensed Interim Statement of Changes in Equity (Un-audited)

For the Six months period ended 31 December 2008

	Share Capital	Share Premium	Hedging reserve	General reserve	Unappropriated Profit	Total
	Rupees					
Balance as at 30 June 2007 - Restated	1,017,843,800	319,433,561	6,673,212	70,000,000	1,145,262,557	2,559,213,130
Issuance of 15% bonus shares	152,676,570	(152,676,570)	-	-	-	-
Loss for the six months ended 31 December 2007 (restated)		-	-	-	(172,679,690)	(172,679,690)
Unrealized gain on derivative financial instruments	-	-	60,854,907	-	-	60,854,907
Balance as at 31 December 2007 - Restated	**1,170,520,370**	**166,756,991**	**67,528,119**	**70,000,000**	**972,582,867**	**2,447,388,347**
Balance as at 30 June 2008	1,170,520,370	166,756,991	(951,403)	70,000,000	922,803,191	2,329,129,147
Issuance of 10% bonus shares	117,052,040	(117,052,040)	-	-	-	-
Loss for the six months ended 31 December 2008	-	-	-	-	(75,966,069)	(75,966,069)
Unrealized loss on derivative financial instruments	-	-	(5,719,449)	-	-	(5,719,449)
Balance as at 31 December 2008	**1,287,572,410**	**49,704,951**	**(6,670,852)**	**70,000,000**	**846,837,122**	**2,247,443,629**

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive   Director

Kohat Cement Company Limited.

Notes to the Condensed Interim Financial Information (Un-audited)

For the Six months period ended 31 December 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.

New Grey Cement Plant of 6700 tpd has commenced commercial production from November 2008 after which the installed clinker production capacity of the plant has increased from 540,000 tons to 2,550,000 tons per year.

2 **Statement of compliance**

This Condensed Interim financial information is un-audited but subject to limited scope review by auditors and has been prepared in accordance with the requirements of the approved Accounting Standards as applicable in Pakistan relating to Interim Financial Reporting and is being submitted to the shareholders as required by 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 this condensed financial information are the same as those applied in preparation of financial statements for the year ended 30 June 2008. This condensed interim financial information does 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 30 June 2008.

4 **Significant estimates**

The preparation of this condensed interim financial information 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. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Retirement and other benefits
- Provision and Contingencies
- Fair value of derivatives

During the period the Company has reviewed the useful life of operating fixed assets and reassessed their useful life. Consequently, depreciation rate of factory building is reduced from 10% per annum on reducing balance method to 5% per annum on straight line method and depreciation on plant and machinery is revised from 10% per annum on reducing balance method to units of production method. This change has been accounted for as change in accounting estimate according to the requirement of IAS-8 "Accounting Policies, Change in Accounting Estimate and Errors". The effect of change has been recognized in the Financial Statements prospectively.

Had there been no change in the accounting estimate, the loss before taxation for the period would have been increased by Rs. 29.933 million and written down value of these operating assets would have been decreased by the same amount.

	31 December 2008 Rupees	30 June 2008 Rupees
5. Long term finances - secured		
Term finances - secured	1,282,463,434	1,191,808,036
Redeemable capital - Sukuk certificates	2,415,000,000	2,415,000,000
	3,697,463,434	3,606,808,036
Less : Current maturity shown under current liabilities		
Term finances - secured	353,441,963	215,022,321
Redeemable capital - Sukuk certificates	665,000,000	410,000,000
	1,018,441,963	625,022,321
	2,679,021,471	2,981,785,715

5.1 The Company could not make payments at the due dates against the above finances which became due during the period amounting to Rs. 250 million and Rs. 214.6 million on account of principal and mark up respectively. However, subsequent to balance sheet date the Company has paid Rs. 131 million on account of outstanding mark up.

The management is in the process of negotiating the rescheduling of redeemable capital - Sukuk certificates and syndicated term finance with the financial institutions and is hopeful of a favorable outcome.

6 **Contingency 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 2008 Rupees	30 June 2008 Rupees
6.2 Commitments in respect of:		
- Capital expenditure	-	143,869,618
- Other than capital expenditure	245,908,734	11,857,510

7 **Operating fixed assets**

	31 December 2008 Rupees	30 June 2008 Rupees
Opening written down value	941,431,201	1,023,528,041
Additions (Cost)		
Factory building	1,851,342,668	-
Head office building	22,725,153	-
Plant, machinery and equipment	3,603,518,891	-
Furniture, fixtures and office equipment	416,669	1,231,835
Computers and printers	1,128,819	894,649
Weighing scales	-	4,670,000
Light vehicles	3,861,400	15,739,113
Heavy vehicles - owned	-	1,899,640
Heavy vehicles - leased	-	5,500,000
	5,482,993,600	29,935,237
Disposals (Net book value)		
Furniture, fixtures and office equipment	-	(92,975)
Vehicles	(22,376)	(7,990,348)
	(22,376)	(8,083,323)
Depreciation charge for the period	(44,255,343)	(103,948,754)
Closing written down value	6,380,147,082	941,431,201

8 **Capital work in progress**

	31 December 2008 Rupees	30 June 2008 Rupees
Head office Building	16,626,619	37,991,450
Expansion project - grey cement:		
Civil works	67,722,107	1,512,807,823
Plant and machinery	2,892,014	2,934,063,973
Advances to plant suppliers	4,801,634	4,801,634
Stores held for capital expenditure	2,929,458	75,501,900
Letter of credit in process	-	3,323,953
Borrowing costs	-	738,798,020
Pre-production costs	5,344,172	-
	83,689,385	5,269,297,303
	100,316,004	5,307,288,753

	July 2008 to December 2008 Rupees	July 2007 to December 2007 Rupees
9 Taxation		
Current tax expense	(2,820,120)	(4,663,658)
Deferred tax income	17,182,778	79,449,976
	14,362,658	74,786,318

10 **Transaction with related parties**

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

11 **Date of authorization for issue**

This un-audited condensed financial information was authorized for issue by the Board of Directors of the Company on 25, February 2009.

Chief Executive   Director