

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. Ghazala Amjad
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) 37500131
Fax: (042) 37500030

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 4990
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 REPORT

The Directors of Kohat Cement Company Limited are pleased to present the financial statements of the Company for the 3rd quarter and the nine-month period ended on March 31, 2011.

Financial and operational performance - Below are the results for the quarter and nine month period ended March 31, 2011 in comparison with corresponding periods of 2010:

| | 3 rd Quarter ended March 31, | | Nine-month ended March 31, | |
|---|--|------------------|-------------------------------|------------------|
| | 2011 (Rupees) | 2010 (Rupees) | 2011 (Rupees) | 2010 (Rupees) |
| Net sales revenue | 1,621,664,580 | 1,037,257,835 | 4,137,561,909 | 2,444,081,985 |
| Earnings before interest, tax & depreciation | 317,784,955 | 135,315,992 | 756,818,460 | 372,170,109 |
| Depreciation | 101,056,338 | 66,357,185 | 253,400,303 | 179,444,485 |
| Finance costs | 184,324,224 | 164,056,119 | 521,249,845 | 501,432,431 |
| Profit/ (loss) before taxation | 32,404,393 | (95,097,312) | (17,831,688) | (308,706,807) |
| Taxation | 18,808,871 | (1,394,485) | 43,287,169 | (66,578,858) |
| Profit/ (loss) after taxation | 13,595,522 | (93,702,827) | (61,118,857) | (242,127,949) |
| Earnings/ (loss) per share | 0.11 | (0.73) | (0.47) | (1.88) |

The results for the 3rd quarter have improved considerably whereby the new grey cement line has operated near its optimum level. Cement prices have improved considerably but are still below the desired level. The revenue for the 3rd quarter has increased by 56.34% and for the nine-month period by 69.29% as compared to the corresponding period of last year.

Company produced 430,874 tons (2010: 318,459 tons) and 1,132,545 tons (2010: 773,943 tons) clinker during the 3rd quarter and nine-month period respectively. Cement dispatches increased by 11.78% to 399,941 tons (2010: 357,794 tons) and by 34.71% to 1,058,977 tons (2010: 786,135 tons) during 3rd quarter and nine-month period respectively.

Commissioning of 22.6 MW Power Plant has been completed and is ready to generate power in case of any serious breakdown in WAPDA system.

Company is current with all its debt obligations.

Future outlook - The management is hopeful that present economic conditions in the country will improve and the profitability of the company will get better, however, management is prepared for all challenges that may arise in the present economic scenario.

Management-employee relations - Management employees relationship has been cordial and mutually supportive.

Statement under section 241(2) of the Companies Ordinance, 1984

This Directors' Review Report has been signed by the two Directors of the Company instead of the Chief Executive and one Director as the Chief Executive of the Company is for the time being not in Pakistan.

Lahore : April 23, 2011

For and on behalf of the Board



Director



Director

Condensed Interim Balance Sheet (Un-audited)

| | Note | (un-audited) March 31, 2011 Rupees | (audited) June 30, 2010 Rupees |
|---|------|--|--------------------------------------|
| SHARE CAPITAL AND RESERVES | | | |
| Authorised 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 | | 103,220,747 | 51,278,714 |
| Accumulated profit | | <u>560,999,890</u> | <u>622,118,747</u> |
| | | <u>1,951,793,047</u> | <u>1,960,969,871</u> |
| NON CURRENT LIABILITIES | | | |
| Long term finances - secured | 5 | 3,576,820,087 | 3,049,320,000 |
| Liabilities against assets subject to finance lease - secured | | - | - |
| Long term security deposits and retention money | | 161,106,776 | 155,923,337 |
| Deferred liabilities | 6 | 246,158,145 | 62,669,613 |
| Derivative financial liabilities | | <u>201,073,634</u> | <u>202,024,046</u> |
| | | <u>4,185,158,642</u> | <u>3,469,936,996</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,232,424,450 | 734,312,487 |
| Mark up payable on secured loans | | 540,937,874 | 504,895,065 |
| Short term finances - secured | | 1,264,275,199 | 1,406,895,249 |
| Current portion of: | | | |
| Long term finances - secured | 6 | 32,183,341 | 594,333,425 |
| Liabilities against assets subject to finance lease - secured | | 549,998 | 2,036,713 |
| | | <u>3,070,370,862</u> | <u>3,242,472,939</u> |
| CONTINGENCIES AND COMMITMENTS | 7 | <u>-</u> | <u>-</u> |
| | | <u>9,207,322,551</u> | <u>8,673,379,806</u> |

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.



Director

Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by the two Directors of the Company instead of the Chief Executive and one Director as the Chief Executive of the Company is for the time being not in Pakistan.



As at March 31, 2011

| | Note | (un-audited) March. 31, 2011 Rupees | (audited) June 30, 2010 Rupees |
|---|------|---|--------------------------------------|
| NON CURRENT ASSETS | | | |
| Operating fixed assets | 8 | 7,146,684,198 | 6,368,030,446 |
| Capital work-in-progress | 9 | - | 861,363,339 |
| Intangible assets | | 2,540,837 | 2,587,653 |
| Long term loans and advances | | 28,952,191 | 28,832,286 |
| Long term deposits | | 5,397,440 | 5,397,440 |
| | | 7,183,574,666 | 7,266,211,164 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 502,275,534 | 638,000,427 |
| Stock in trade | | 972,360,963 | 290,433,057 |
| Trade debts | | 9,835,377 | 20,010,133 |
| Advances, deposits, prepayments and other receivables | | 463,640,871 | 430,703,292 |
| Cash and bank balances | | 75,635,140 | 28,021,733 |
| | | 2,023,747,885 | 1,407,168,642 |
| | | 9,207,322,551 | 8,673,379,806 |


Director



Condensed Interim Profit and Loss Account (Un-audited)
For the Quarter and Nine Month Period ended March 31, 2011

| | Note | 3rd Quarter (Jan-Mar) | | Nine Months (July-Mar) | |
|--|------|-----------------------|------------------|------------------------|------------------|
| | | 2011 (Rupees) | 2010 (Rupees) | 2011 (Rupees) | 2010 (Rupees) |
| Sales - net | | 1,621,664,580 | 1,037,257,835 | 4,137,561,909 | 2,444,081,985 |
| Cost of goods sold | | 1,380,505,922 | 946,895,516 | 3,581,515,513 | 2,205,231,971 |
| Gross profit | | 241,158,658 | 90,362,319 | 556,046,396 | 238,850,014 |
| Selling and distribution cost | | 10,510,182 | 12,793,080 | 26,395,515 | 32,147,042 |
| Administrative and general expenses | | 11,375,849 | 9,480,729 | 33,543,662 | 27,395,432 |
| Other operating expenses | | 3,573,245 | 236,803 | 10,267,997 | 569,058 |
| Other operating income | | (1,029,235) | (1,107,100) | (17,578,935) | (13,987,142) |
| | | 24,430,041 | 21,403,512 | 52,628,239 | 46,124,390 |
| Operating profit | | 216,728,617 | 68,958,807 | 503,418,157 | 192,725,624 |
| Finance cost | | 184,324,224 | 164,056,119 | 521,249,845 | 501,432,431 |
| Profit / (Loss) before taxation | | 32,404,393 | (95,097,312) | (17,831,688) | (308,706,807) |
| Taxation | 10 | 18,808,871 | (1,394,485) | 43,287,169 | (66,578,858) |
| Profit / (Loss) after taxation | | 13,595,522 | (93,702,827) | (61,118,857) | (242,127,949) |
| Earnings / (Loss) per share (basic and diluted) | | 0.11 | (0.73) | (0.47) | (1.88) |

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.



Director

Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by the two Directors of the Company instead of the Chief Executive and one Director as the Chief Executive of the Company is for the time being not in Pakistan.



Director



Condensed Interim Statement of Comprehensive Income (Un-audited)
For the Quarter and Nine Month Period ended March 31, 2011

| | 3rd Quarter (Jan-Mar) | | Nine Months (July-Mar) | |
|---|-----------------------|------------------|------------------------|------------------|
| | 2011 (Rupees) | 2010 (Rupees) | 2011 (Rupees) | 2010 (Rupees) |
| Profit / (Loss) after taxation | 13,595,522 | (93,702,827) | (61,118,857) | (242,127,949) |
| Fair value adjustment of cash flow hedge | (5,221,205) | (10,139,144) | 950,412 | (44,121,906) |
| Re-pricing settlement received from cash flow hedge | 25,999,108 | 24,515,058 | 51,055,680 | 45,519,578 |
| Deferred tax on cash flow hedge | 1,846,283 | 2,939,005 | (64,059) | 12,211,068 |
| Other comprehensive income - net of tax | 22,624,186 | 17,314,919 | 51,942,033 | 13,608,740 |
| Total comprehensive Income / (loss) for the period | 36,219,708 | (76,387,908) | (9,176,824) | (228,519,209) |

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.

Director

Statement under section 241(2) of the Companies Ordinance, 1984

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Director

**Condensed Interim Cash Flow Statement (Un-audited)
For the Nine Month Period ended March 31, 2011**

| | Note | 2011 Rupees | 2010 Rupees |
|---|------|----------------------|------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 11 | 613,737,481 | 640,054,542 |
| Finance cost paid | | (347,839,585) | (429,612,602) |
| Re-pricing settlement received from cash flow hedge | | 51,055,680 | 45,519,578 |
| Contribution to retirement benefits | | (446,572) | (580,381) |
| Compensated absences paid | | (324,582) | (316,857) |
| Income tax paid | | (49,666,789) | (52,211,438) |
| Net cash inflow from operating activities | | 266,515,633 | 202,852,842 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (46,443,645) | (161,525,129) |
| Intangible assets | | (446,700) | (427,992) |
| Sale proceeds of property, plant and equipment | | 5,771,072 | 6,451,041 |
| Profit on bank deposits | | 1,759,452 | 2,004,089 |
| (Increase)/decrease in long term loans and advances | | (783,348) | 126,556 |
| Net cash used in investing activities | | (40,143,169) | (153,371,435) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term finances | | - | 32,100 |
| Proceeds from import finances - net | | 1,012,743 | 24,200,687 |
| Repayments of long term finances | | (34,649,997) | (18,749,997) |
| Repayment of finance lease liabilities | | (1,486,715) | (1,247,594) |
| Dividend paid | | (2,295) | - |
| Net cash (used in)/inflow financing activities | | (35,126,264) | 4,235,196 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 191,246,200 | 53,716,603 |
| CASH AND CASH EQUIVALENTS - at the beginning of the period | | (914,486,523) | (1,325,627,883) |
| CASH AND CASH EQUIVALENTS - at the end of the period | 12 | (723,240,323) | (1,271,911,280) |

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.



Director

Statement under section 241(2) of the Companies Ordinance, 1984

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Director



**Condensed Interim Statement of Changes in Equity (Un-audited)
For the Nine Month Period ended March 31, 2011**

| | 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 Nine Month Period ended March 31, 2010 | - | - | - | 13,608,740 | (242,127,949) | (228,519,209) |
| Balance as at March 31, 2010 | 1,287,572,410 | 49,704,951 | 70,000,000 | (72,017,345) | 707,767,940 | 2,043,027,956 |
| 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 loss for the Nine Month Period ended March 31, 2011 | - | - | - | 51,942,033 | (61,118,857) | (9,176,824) |
| Balance as at March 31, 2011 | 1,287,572,410 | 49,704,951 | 70,000,000 | (16,484,204) | 560,999,890 | 1,951,793,047 |

The attached notes 1 to 15 form an integral part of these condensed interim financial statements.



Director

Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by the two Directors of the Company instead of the Chief Executive and one Director as the Chief Executive of the Company is for the time being not in Pakistan.



Director

Notes to the Condensed Interim Financial Statements (Un-audited) For the Quarter and Nine Month Period ended March 31, 2011

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 financial statements are un-audited and have been prepared in accordance with International Financial Reporting Standard 'IAS 34 - Interim Financial Reporting' and should be read in conjunction with the Annual Financial Report for the year ended June 30, 2010. These are 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 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 | March 31, 2011 Rupees | June 30, 2010 Rupees |
|---|------|-----------------------------|-----------------------------|
| Pak Oman Investment Company Limited | | 2,083,428 | 20,833,425 |
| Standard Chartered Bank (Pakistan) Limited | | 92,600,000 | 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 | | <u>1,100,000,000</u> | 1,100,000,000 |
| | | <u>3,609,003,428</u> | 3,643,653,425 |
| Less: Current maturity shown under current liabilities | | <u>(32,183,341)</u> | (594,333,425) |
| | | <u><u>3,576,820,087</u></u> | <u><u>3,049,320,000</u></u> |
| | | | |
| 6. DEFERRED LIABILITIES | | | |
| Staff retirement benefits | | 6,488,392 | 6,196,321 |
| Deferred taxation | | 2,933,695 | 2,463,266 |
| Deferred markup | 6.1 | <u>236,736,058</u> | 54,010,026 |
| | | <u><u>246,158,145</u></u> | <u><u>62,669,613</u></u> |

| | March 31, 2011 Rupees | June 30, 2010 Rupees |
|---|---------------------------|--------------------------|
| 6.1 Deferred markup on: | | |
| Sukuk Certificates | - | 54,010,026 |
| Syndicated Term Finance | <u>244,236,058</u> | <u>-</u> |
| | <u>244,236,058</u> | <u>54,010,026</u> |
| Less: Current portion included in accrued mark up | <u>(7,500,000)</u> | <u>-</u> |
| | <u><u>236,736,058</u></u> | <u><u>54,010,026</u></u> |

7. CONTINGENCIES AND COMMITMENTS

| | | |
|--|-------------------|--------------------|
| 7.1 Contingencies | | |
| There is no material change in the contingent liabilities of the Company since the last annual balance sheet date. | | |
| 7.2 Commitments in respect of: | | |
| - Capital expenditure | - | - |
| - Other than capital expenditure | <u>21,974,692</u> | <u>471,955,406</u> |

8. PROPERTY, PLANT AND EQUIPMENT

| | | |
|--|-----------------------------|-----------------------------|
| Opening written down value | 6,368,030,446 | 6,352,852,944 |
| Additions (Cost) | | |
| Factory building | 328,864,502 | 239,254,165 |
| Office building | 228,440 | 4,340,267 |
| Plant, machinery and equipment | 688,273,397 | 27,551,205 |
| Furniture, fixtures and office equipment | 1,905,162 | 5,333,736 |
| Computers and printers | 1,556,098 | 2,217,540 |
| Power installation | 52,400 | - |
| Light vehicles | 2,290,849 | 1,823,281 |
| Heavy vehicles | - | 315,000 |
| Fuel storage facilities | 12,961,202 | - |
| Laboratory equipments | 692,390 | 188,000 |
| | <u>1,036,824,440</u> | <u>281,023,194</u> |
| Disposals (Net book value) | | |
| Light vehicles | (2,229,828) | (2,157,163) |
| Heavy vehicles | (2,086,194) | - |
| Furniture, fixtures and office equipment | - | (29,770) |
| Plant, machinery and equipment | (454,363) | (7,964,729) |
| | <u>(4,770,385)</u> | <u>(10,151,662)</u> |
| Depreciation charge for the period | <u>(253,400,303)</u> | <u>(255,694,030)</u> |
| Closing written down value | <u><u>7,146,684,198</u></u> | <u><u>6,368,030,446</u></u> |

8.1 Addition in Factory Building, Plant, Machinery & Equipment and Fuel Storage Facilities includes assets transferred from Capital Work in Progress aggregating to Rs. 326.37 million (June 30 2010: Rs. 239.3 million), Rs. 679.39 million (June 30 2010: Rs. 27.6 million) and Rs. 12.96 million (June 30 2010: Rs. NIL) respectively.

9. CAPITAL WORK IN PROGRESS

| | | |
|-------------------------------------|----------|--------------------|
| Civil works | - | 313,618,986 |
| Plant, machinery and equipment | - | 457,393,732 |
| Stores held for capital expenditure | - | 2,003,389 |
| Advances to suppliers | - | 1,879,147 |
| Borrowing costs | - | 86,468,085 |
| | <u>-</u> | <u>861,363,339</u> |

| | July 10 to March 11 Rupees | July 09 to March 10 Rupees |
|---|----------------------------------|----------------------------------|
| 10. TAXATION | | |
| Current | 42,880,799 | 16,191,644 |
| Deferred | 406,370 | (82,770,502) |
| | <u>43,287,169</u> | <u>(66,578,858)</u> |
| 11. CASH GENERATED FROM OPERATIONS | | |
| Loss before taxation | (17,831,688) | (308,706,807) |
| Adjustments for non-cash expenses and other items: | | |
| Depreciation on property, plant and equipment | 253,400,303 | 179,444,485 |
| Amortization on intangible assets | 493,517 | 389,455 |
| (Profit)/loss on sale of property, plant and equipments | (1,000,682) | 3,479,002 |
| Profit/mark-up on bank deposit | (1,759,452) | (1,280,015) |
| Staff retirement benefits | 877,815 | 1,067,481 |
| Compensated absences | 185,410 | 221,967 |
| Exchange fluctuation loss/(gain) | 6,122,235 | (6,613,285) |
| Finance costs | 521,249,845 | 501,432,431 |
| | <u>779,568,991</u> | <u>678,141,521</u> |
| | <u>761,737,303</u> | <u>369,434,714</u> |
| (Increase)/decrease in current assets: | | |
| Stores, spares and loose tools | 52,066,017 | (67,551,113) |
| Stock in trade | (681,927,906) | (86,940,952) |
| Trade debts | 10,174,756 | (6,774,854) |
| Advances, deposits, prepayments and other receivables | (27,493,229) | 150,509,884 |
| Increase/(decrease) in current liabilities | | |
| Trade and other payables | 499,180,540 | 281,376,863 |
| | <u>(147,999,822)</u> | <u>270,619,828</u> |
| | <u>613,737,481</u> | <u>640,054,542</u> |
| 12. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 75,635,140 | 34,914,397 |
| Short term running finances | (798,875,463) | (1,306,825,677) |
| | <u>(723,240,323)</u> | <u>(1,271,911,280)</u> |
| 13. TRANSACTION WITH RELATED PARTIES | | |
| There are no significant transactions with related parties during the period. | | |
| 14. 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 April 23, 2011. | | |
| 15. GENERAL | | |
| Figures have been rounded off to nearest rupee. | | |



Director

Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by the two Directors of the Company instead of the Chief Executive and one Director as the Chief Executive of the Company is for the time being not in Pakistan.



Director

