

**1ST QUARTER REPORT**  
**(UN-AUDITED)**  
**SEPTEMBER 30, 2008**



**KOHAT CEMENT**  
COMPANY LIMITED

## Kohat Cement Company Limited.

### Directors' Review

Your Directors take pleasure in presenting un-audited financial statements of the Company for the 1st quarter ended on September 30, 2008 of the current financial year.

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

|                                    | Rupees in Thousand |                    |
|------------------------------------|--------------------|--------------------|
|                                    | 2008               | 2007<br>(Restated) |
| <b>Profit before taxation</b>      | 52,450             | 45,017             |
| <b>Taxation:</b>                   |                    |                    |
| - Current                          | 938                | 3,219              |
| - Deferred                         | 13,300             | (31,706)           |
|                                    | 14,238             | (28,487)           |
| <b>Profit after Taxation</b>       | 38,212             | 73,504             |
| <b>Earnings per share (Rupees)</b> | 0.33               | 0.62               |

The net sales revenue for the period under review is Rs. 425.183 million compared to Rs. 372.573 million during the corresponding quarter of last year reflecting an increase of 14.12%. The Company has earned a pre-tax profit of Rs. 52,450 million compared to Pre-tax profit of Rs. 45,017 million for the same quarter last year. The increase in export prices and stable local prices of cement were the key factors for the increased pre-tax profitability of the Company during the quarter under review.

**Plant Performance** – From its grey cement line your Company produced 88,804 tons of clinker by utilizing 65.78% of its production capacity compared to clinker production of 110,495 tons @ 81.85% capacity utilization during the same quarter last year, resulting in reduced dispatches of 89,376 tons of grey cement (2007: 133,582 tons). These figures include in house consumption of 2,430 tons (2007: 3,015 tons). Decrease in grey cement production was due to the following factors:

- Irregular power supply from WAPDA; and
- Closure of plant for about fifteen days caused by flooded water entered into the plant premises due to heavy rains in August.

Sales of white cement were reduced to 5,071 tons (2007: 5,876 tons) due to low market demand.

**Future Prospects** – Economic instability in the country along with reduced local demand, unprecedented inflation and increased production capacity of the industry are all negative factors for the cement sector. Your management expects tough times ahead and is planning accordingly.

**Grey Cement Expansion Project** – By the Grace of Almighty Allah, Trial production from the new grey cement line of '6,700 TPD clinker capacity' started on September 26, 2008 during the holy month of Ramadan.

**Management-employees relations** – Relations between management and employees have been cordial and mutually supportive.

For and on behalf of the Board



Aizaz Mansoor Sheikh

Lahore: October 28, 2008.

## Kohat Cement Company Limited.

### Balance Sheet (Un-Audited)

As at September 30, 2008

| Note  | (Un-audited)<br>Sep. 30 2008 | (Audited)<br>June 30 2008 |
|---|------------------------------|---------------------------|
|   | (Rupees)                     | (Rupees)                  |
| <b>SHARE CAPITAL AND RESERVES</b>                             |                              |                           |
| Authorised share capital                                      | 1,500,000,000                | 1,500,000,000             |
| Issued, subscribed and paid up capital                        | 1,170,520,370                | 1,170,520,370             |
| Reserves  | 236,103,223                  | 235,805,586               |
| Unappropriated profit   | 961,015,136                  | 922,803,191               |
|   | 2,367,638,729                | 2,329,129,147             |
| <b>NON CURRENT LIABILITIES</b>                                |                              |                           |
| Long term finances - secured                                  | 2,977,232,143                | 2,981,785,715             |
| Liabilities against assets subject to finance lease - secured | 3,284,330                    | 3,686,712                 |
| Long term security deposits                                   | 136,035,566                  | 135,837,621               |
| Deferred liabilities  | 169,237,059                  | 155,732,831               |
|   | 3,285,789,098                | 3,277,042,879             |
| <b>CURRENT LIABILITIES</b>                                    |                              |                           |
| Trade and other payables                                      | 215,004,181                  | 244,465,133               |
| Mark up payable on secured loans                              | 205,915,224                  | 50,719,344                |
| Short term running finances - secured                         | 1,311,107,504                | 1,096,066,075             |
| Current portion of long term liabilities:                     |                              |                           |
| Long term finances - secured                                  | 617,075,893                  | 625,022,321               |
| Liabilities against assets subject to finance lease - secured | 1,528,243                    | 1,475,601                 |
|   | 2,350,631,045                | 2,017,748,474             |
| <b>CONTINGENCIES AND COMMITMENTS</b>                          | 5                            |                           |
|   | 8,004,058,872                | 7,623,920,500             |
| <b>NON CURRENT ASSETS</b>                                     |                              |                           |
| Property, plant and equipment:                                |                              |                           |
| Operating fixed assets  | 6                            | 922,910,094               |
| Capital work-in-progress                                      | 7                            | 5,454,315,281             |
|   | 6,377,225,375                | 6,248,719,954             |
| Long term loans and advances                                  |                              | 38,638,180                |
| Long term deposits  |                              | 4,429,440                 |
|   | 6,420,292,995                | 6,291,291,494             |
| <b>CURRENT ASSETS</b>   |                              |                           |
| Stores, spares and loose tools                                | 941,104,093                  | 699,954,682               |
| Stock in trade  | 246,515,365                  | 174,317,806               |
| Trade debts   | 25,377,380                   | 15,341,081                |
| Advances, deposits, prepayments and other receivables         | 344,453,896                  | 406,020,470               |
| Cash and bank balances  | 26,315,143                   | 36,994,967                |
|   | 1,583,705,877                | 1,332,629,006             |
|   | 8,004,058,872                | 7,623,920,500             |

The attached notes 1 to 10 form an integral part of these accounts.



Chief Executive



Director

**Kohat Cement Company Limited.**  
**Profit and Loss Account (Un-audited)**  
 For the Quarter ended September 30, 2008

| Note  | 2008<br>(Rupees)   | 2007<br>(Rupees)<br>(Restated) |
|---|--------------------|--------------------------------|
| Sales - net                                   | 425,183,363        | 372,572,841                    |
| Cost of goods sold                            | 306,270,425        | 324,903,138                    |
| <b>Gross profit</b>                           | <b>118,912,938</b> | <b>47,669,703</b>              |
| Selling and distribution cost                 | 16,241,508         | 8,146,497                      |
| Administrative and general expenses           | 6,427,433          | 8,707,418                      |
|   | 22,668,941         | 16,853,915                     |
| <b>Operating profit</b>                       | <b>96,243,997</b>  | <b>30,815,788</b>              |
| Other operating expenses                      | -                  | 2,335,195                      |
|   | 96,243,997         | 28,480,593                     |
| Other operating income                        | 568,374            | 21,582,754                     |
| <b>Profit from operations</b>                 | <b>96,812,371</b>  | <b>50,063,347</b>              |
| Finance cost                                  | 44,362,598         | 5,046,506                      |
| <b>Profit before taxation</b>                 | <b>52,449,773</b>  | <b>45,016,841</b>              |
| Provision for taxation                        | 8 14,237,828       | (28,487,354)                   |
| <b>Profit after taxation</b>                  | <b>38,211,945</b>  | <b>73,504,195</b>              |
| <b>Earnings per share (basic and diluted)</b> | <b>0.33</b>        | <b>0.63</b>                    |

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

The attached notes 1 to 10 form an integral part of these accounts.

  
 Chief Executive

  
 Director

**Kohat Cement Company Limited.**  
**Cash Flow Statement (Un-audited)**  
 For the Quarter ended September 30, 2008

|  | 2008<br>(Rupees)       | 2007<br>(Rupees)     |
|--|------------------------|----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |                        |                      |
| Profit before taxation   | 52,449,773             | 45,016,841           |
| Adjustments for:   |                        |                      |
| Depreciation on property, plant and equipment  | 23,657,333             | 25,559,074           |
| Adjustment in/(Profit on sale) of property, plant and equipment                        | (140,600)              | 547,523              |
| Profit/mark-up on bank deposit   | (397,009)              | (802,014)            |
| Finance cost   | 44,362,598             | 5,046,506            |
|  | 67,482,322             | 30,351,089           |
| Operating profit before working capital changes (increase)/decrease in current assets: | 119,932,095            | 75,367,930           |
| Stores, spares and loose tools   | (241,149,411)          | (98,982,148)         |
| Stock in trade   | (72,197,559)           | 18,371,280           |
| Trade debts  | (10,036,299)           | (11,668,599)         |
| Advances, deposits, prepayments and other receivables                                  | 67,707,184             | (76,966,452)         |
| Increase in current liabilities:   |                        |                      |
| Trade and other payables   | (29,460,952)           | 60,624,731           |
|  | (285,137,037)          | (108,611,188)        |
|  | (165,204,942)          | (33,243,258)         |
| Finance cost paid  | (28,716,306)           | (99,004,194)         |
| Compensated absences and gratuity  | 501,645                | (223,994)            |
| Income tax paid  | (7,078,221)            | (4,338,405)          |
| <b>Net cash outflow from operating activities</b>                                      | <b>(200,497,624)</b>   | <b>(136,809,851)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |                        |                      |
| Fixed capital expenditure  | (12,635,563)           | (216,789,629)        |
| Sale proceeds of property, plant and equipment   | 163,000                | -                    |
| Profit on bank deposits  | 397,009                | 1,805,878            |
| Decrease in long term loans and advances   | (496,080)              | 860,260              |
| Increase/(decrease) in long term security deposits                                     | 197,945                | 2,200,507            |
| <b>Net cash outflow from investing activities</b>                                      | <b>(12,373,689)</b>    | <b>(211,922,984)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |                        |                      |
| Proceeds from long term finances   | -                      | 296,071,428          |
| Repayments of long term finances   | (12,500,000)           | -                    |
| Repayment of finance lease liabilities   | (349,740)              | -                    |
| <b>Net cash (outflow)/inflow from financing activities</b>                             | <b>(12,849,740)</b>    | <b>296,071,428</b>   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                       | <b>(225,721,253)</b>   | <b>(52,661,407)</b>  |
| <b>CASH AND CASH EQUIVALENTS</b>   |                        |                      |
| - at the beginning of the period   | (1,059,071,108)        | (14,032,476)         |
| <b>CASH AND CASH EQUIVALENTS</b>   |                        |                      |
| - at the end of the period   | <b>(1,284,792,361)</b> | <b>(66,693,885)</b>  |
| <b>Cash and Cash Equivalents Comprises:</b>  |                        |                      |
| Cash and bank balances   | 26,315,143             | 101,572,202          |
| Short term running finances  | (1,311,107,504)        | (168,266,087)        |
|  | <b>(1,284,792,361)</b> | <b>(66,693,885)</b>  |

The attached notes 1 to 10 form an integral part of these accounts.

  
 Chief Executive

  
 Director

## Kohat Cement Company Limited.

### Statement of Changes in Equity (Un-audited)

For the Quarter ended September 30, 2008

|   | Share Capital | Share Premium | General reserve | Hedging reserve | Unappropriated Profit | Total         |
|---|---------------|---------------|-----------------|-----------------|-----------------------|---------------|
| RUPEES  |               |               |                 |                 |                       |               |
| Balance as at 30 June 2007                                    | 1,170,520,376 | 318,423,561   | 70,000,000      | 6,873,272       | 325,595,070           | 2,490,922,324 |
| Profit for the quarter ended September 30, 2007               | -             | -             | -               | -               | 73,504,708            | 73,504,708    |
| Adjustment of deferred tax on derivative financial instrument | -             | -             | -               | 366,425         | -                     | 366,425       |
| Balance as at 30 September 2007                               | 1,170,520,376 | 318,423,561   | 70,000,000      | 7,239,697       | 399,099,778           | 2,965,923,914 |
| Balance as at 30 June 2008                                    | 1,170,520,376 | 166,796,961   | 70,000,000      | (931,405)       | 622,802,707           | 2,535,129,147 |
| Profit for the quarter ended September 30, 2008               | -             | -             | -               | -               | 50,211,345            | 50,211,345    |
| Adjustment of deferred tax on derivative financial instrument | -             | -             | -               | 207,637         | -                     | 207,637       |
| Balance as at 30 September 2008                               | 1,170,520,376 | 166,796,961   | 70,000,000      | (623,768)       | 673,014,052           | 2,573,917,729 |

The attached notes 1 to 10 form an integral part of these accounts.

  
Chief Executive

  
Director

## Kohat Cement Company Limited.

### Notes to the Financial Statements (Un-audited)

For the Quarter ended September 30, 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 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 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 2008.

#### 5. CONTINGENCIES AND COMMITMENTS

##### 5.1 Contingencies

There is no material change in the contingent liabilities of the Company since the last annual balance sheet date.

|                                  | 30 Sep. 2008 (Rupees) | 30 June 2008 (Rupees) |
|----------------------------------|-----------------------|-----------------------|
| 5.2 Commitments in respect of:   |                       |                       |
| - Capital expenditure.           | 140,029,564           | 143,869,618           |
| - Other than capital expenditure | 345,869,416           | 11,857,510            |

## Kohat Cement Company Limited.

### Notes to the Financial Statements (Un-audited)

For the Quarter ended September 30, 2008

|  | 30 Sep. 2008 (Rupees) | 30 June 2008 (Rupees) |
|--|-----------------------|-----------------------|
| <b>6. PROPERTY, PLANT AND EQUIPMENT</b>  |                       |                       |
| Opening written down value               | 941,431,201           | 1,023,528,041         |
| <b>Additions (Cost)</b>                  |                       |                       |
| Plant, machinery and equipment           | 294,000               | -                     |
| Furniture, fixtures and office equipment | 216,695               | 1,231,835             |
| Computers and printers                   | 847,907               | 894,649               |
| Weighing scales                          | -                     | 4,670,000             |
| Light vehicles                           | 3,800,000             | 15,739,113            |
| Heavy vehicles - owned                   | -                     | 1,899,640             |
| Heavy vehicles - leased                  | -                     | 5,500,000             |
|  | 5,158,602             | 29,935,237            |
| <b>Disposals (Net book value)</b>        |                       |                       |
| Furniture, fixtures and office equipment | -                     | (92,975)              |
| Vehicles                                 | (22,376)              | (7,990,348)           |
|  | (22,376)              | (8,083,323)           |
| Depreciation charge for the period       | (23,657,333)          | (103,948,754)         |
| Closing written down value               | 922,910,094           | 941,431,201           |

(Restated)

#### 7. CAPITAL WORK IN PROGRESS

|                                     | 30 Sep. 2008  | 30 June 2008  |
|-------------------------------------|---------------|---------------|
| Head office Building                | 38,544,451    | 37,991,450    |
| Expansion project - grey cement:    |               |               |
| Civil works                         | 1,548,085,291 | 1,512,807,802 |
| Plant and machinery                 | 2,946,111,536 | 2,934,063,973 |
| Advances to plant suppliers         | 4,801,634     | 4,801,634     |
| Stores held for capital expenditure | 8,538,034     | 75,501,900    |
| Letter of credit in process         | 3,323,953     | 3,323,953     |
| Pre-production costs                | 26,562,774    | -             |
| Borrowing costs                     | 878,347,608   | 738,798,020   |
|                                     | 5,415,770,830 | 5,269,297,282 |
|                                     | 5,454,315,281 | 5,307,288,732 |

#### 8. PROVISION FOR TAXATION

|          | 30 Sep. 2008 | 30 June 2008 |
|----------|--------------|--------------|
| Current  | 937,611      | 3,218,927    |
| Deferred | 13,300,217   | (31,706,281) |
|          | 14,237,828   | (28,487,354) |

#### 9. TRANSACTIONS WITH RELATED PARTIES

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

#### 10. DATE OF AUTHORIZATION FOR ISSUE

These unaudited quarterly financial statements were authorized for issue by the Board of Directors of the Company on October 28, 2008.

  
Chief Executive

  
Director