

# KOHAT CEMENT COMPANY LIMITED

**The General Manager,**  
Karachi Stock Exchange Limited,  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

September 5, 2014

**Subject: Financial Results for the year ended June 30, 2014**

Dear Sir,

We have to inform you that the Board of Directors of our company in their meeting held on **September 05, 2014 at 11:00 A.M., at Head Office, 37-P, Gulberg-II, Lahore,** recommended the following:

- (i) **CASH DIVIDEND** :  
A final cash dividend for the year ended June 30, 2014 at **Rs. 2/-** per share i.e. **20%**. This is in addition to Interim Dividend already paid at Rs. NIL per share.
- (ii) **BONUS SHARES** : **NIL**
- (iii) **RIGHT SHARES** : **NIL**
- (iv) **ANY OTHER ENTITLEMENT/CORPORATE ACTION** : **NIL**
- (v) **ANY OTHER PRICE-SENSITIVE INFORMATION** : **NIL**

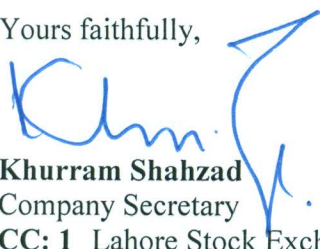
The financial results of the Company along with directors' report are attached.

The Annual General Meeting of the Company will be held on **Friday, October 10, 2014 at 10:00 AM** at **Registered Office, Kohat Cement Factory, Pindi Road, Kohat.**

The Share Transfer Books of the Company will be closed from **Friday, October 03, 2014 to Friday, October 10, 2014** (both days inclusive). Transfers received at the Share Department of the Company, **M/s Hameed Majeed Associates (PVT) Limited, HM House, 7-Bank Square, Lahore,** at the close of business on **Thursday, October 02, 2014** will be treated in time for the purpose of above entitlement to the transferees.

We will be sending you 200 copies of printed accounts for distribution amongst members of the Exchange 21 days before the AGM.

Yours faithfully,

  
**Khurram Shahzad**  
Company Secretary

CC: 1 Lahore Stock Exchange  
2 Islamabad Stock Exchange



**Head Office:** 37-P, Gulberg II, Lahore - Pakistan.  
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Web: [www.kohatcement.com](http://www.kohatcement.com)



# Kohat Cement Company Limited

## Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
Sales - net	23	12,765,670,059	11,297,213,012
Cost of goods sold	24	(7,958,970,205)	(6,936,346,069)
<b>Gross profit</b>		<b>4,806,699,854</b>	<b>4,360,866,943</b>
Selling and distribution expenses	25	(82,621,730)	(58,400,141)
Administrative and general expenses	26	(146,150,841)	(86,423,181)
Other income	27	265,255,098	36,223,304
Other charges	28	(311,907,456)	(233,753,785)
		(275,424,929)	(342,353,803)
<b>Operating profit</b>		<b>4,531,274,925</b>	<b>4,018,513,140</b>
Finance cost	29	(154,675,816)	(248,972,932)
<b>Profit before taxation</b>		<b>4,376,599,109</b>	<b>3,769,540,208</b>
Taxation	30	(1,221,772,596)	(1,136,907,653)
<b>Profit after taxation</b>		<b>3,154,826,513</b>	<b>2,632,632,555</b>
			(Restated)
<b>Earnings per share - basic and diluted</b>	31	<b>20.42</b>	<b>17.04</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

*Noting M4*

Lahore

  
Chief Executive

  
Director

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company are pleased to present the Annual Report together with audited financial statements and Auditors' report thereon for the year ended June 30, 2014.

### Overview

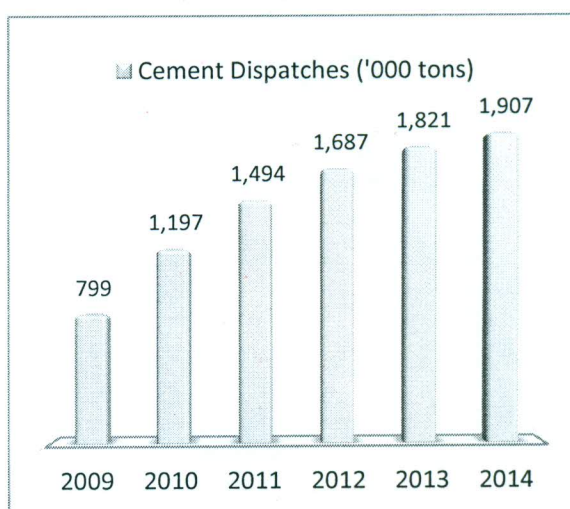
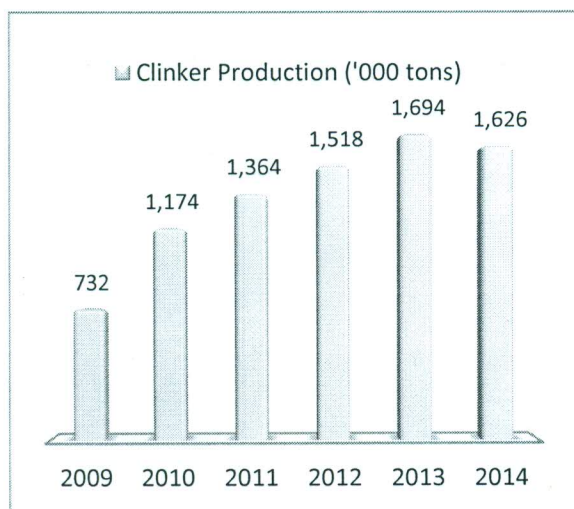
The cement sector of Pakistan registered an overall growth of 2.54% in terms of sales volumes during the FY 2013-14. Domestic consumption has increased by 4.34% to 26.145 million MT (2013: 25,059) while exports reduced to 8.137 million MT (2013: 8.374) registering a negative growth of 2.84%.

By the grace of Almighty Allah, your company has shown an overall growth of 4.26% in sales volume by dispatching 1.9 million metric tons of cement.

### Production and Sale Volumes

New grey cement line operated at 79.78% capacity utilization while the old grey cement line didn't produce any clinker as the new line alone fulfilled the market demand. Below is the summary of production and sales of the company during the year:

	FY 2014	FY 2013
	Metric tons	
Clinker Production	1,625,748	1,693,548
Cement Production	1,903,429	1,854,663
Local Sales	1,616,279	1,509,091
Export Sales	290,517	311,888
Total Sales	1,906,796	1,820,979



### Financial performance

Your company has registered a 20% growth in terms of net profit over the previous year by earning a pre-tax profit of Rs. 4.377 billion (2013: Rs. 3.769 billion) after accounting for all charges inclusive of depreciation of Rs. 371 million (2013: Rs. 374 million) and arrears of Fuel Price Adjustment of Rs. 289 million (2013: Rs. nil). Stable coal prices, better cement rates in local market and growth in dispatch volumes contributed towards improved profitability.

The operating performance of the company is summarized below:

	FY 2014	FY 2013
	(Rupees in millions)	
Net Sales	12,766	11,297
Cost of Sales	7,959	6,936
Gross Profit	4,807	4,361
Selling, distribution & admin expenses	229	145
Other expenses	312	234
Other Income	265	36
Finance Cost	154	249
Profit before Taxation	4,377	3,769
Taxes	1,222	1,137
Profit after Taxation	3,155	2,632
Earnings per share (Rs./ share)	20.42	17.04

### Future prospects

In April 2014, PESCO increased the electricity tariff by more than 50% which shall affect the profitability of the company in the next year. However, the management is confident that the installation of 15MW Waste Heat Recovery Power Plant (WHRPP) shall mitigate this increase in electricity costs. WHRPP is currently under construction with a projected completion date of 30 June 2015.

The demand of cement in local market is expected to grow in wake of increased Government spending on infrastructure projects, which should help the profitability of the Company going forward.

### Appropriations

The Board of Directors of your company is pleased to propose a **20%** final cash dividend of Rs. 2/- per ordinary share for Financial Year ended June 30, 2014.

Appropriations approved by directors are as under:

	<b>Rs.</b>
	<b>In 000'</b>
Profit after taxation	3,154,826
Un-appropriated profits from prior years	4,592,707
Available for appropriation	<u>7,747,533</u>
Subsequent effects:	
Proposed dividend for the year on ordinary shares @ Rs. 2/- per ordinary share	<u>309,017</u>
Un-appropriated profit carried forward	<u><u>7,438,516</u></u>



## Compliance with code of corporate governance

The management is fully aware of the Company's obligations for compliance with the Code of Corporate Governance as incorporated in the Listing Regulations of all Stock Exchanges of Pakistan and steps are being taken for its effective implementation within the allowed time frame. The various statements, as required by the Code, are given below:

- The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements to ensure the true and fair view of the Company's financial position.
- The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations wherever applicable to the Company for the year ended June 30, 2014.

## Financial highlights

Key operating & financial data of last eight years is included in this report.

## Outstanding statutory dues

The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed on the face of balance sheet and in note no. 10 to the financial statements.

## Statement on value of staff retirement funds

The value of investments of provident fund based on its unaudited accounts as at June 30, 2014 is Rs. 66.014 million (2013: Rs. 68.467 million).

## Board & its committee meetings

Attendances by each director at the Board of Directors (BOD), Board Audit Committee (BAC) and HR&R Committee (HR&R) meetings are as under:

	Meetings attended		
	BOD	BAC	HR&R
<b>No. of meetings held</b>	<b>7</b>	<b>6</b>	<b>2</b>
Mr. Aizaz Mansoor Sheikh	7 / 7	-	2 / 2
Mr. Nadeem Atta Sheikh	6 / 7	-	-
Mrs. Hijab Tariq	7 / 7	-	-
Mrs. Hafsa Nadeem	2 / 7	-	-
Mrs. Shahnaz Aizaz *	2 / 3	3 / 4	-
Ms. Aminah Aizaz Sheikh *	4 / 4	2 / 2	-
Mr. Muhammad Atta Tanseer Sheikh	7 / 7	6 / 6	2 / 2
Mr. Muhammad Rehman Sheikh	4 / 7	4 / 6	1 / 2



# KOHAT CEMENT COMPANY LIMITED

\* Ms. AminahAizaz Sheikh appointed as Director in place of Mrs. ShahnazAizaz on her resignation from the Board on 17 February 2014.

The Directors who could not attend the Board & Committee Meetings and requested for leave were duly granted leave of absence from the meeting by the Board/Committees in accordance with the law.

## Directors' Training Programme

During the year one director of the Company attended and obtained certification under Directors' Certification Training Programme from an institute duly approved by the Securities and Exchange Commission of Pakistan.

## Trading in Company's shares

Movement in Directors, Executive and their spouses and minor children's shareholding is given as under:

			Transferred to ANS Capital (Holding Co.)	Purchased	Sold
i)	Mr. Aizaz Sheikh	CEO/Director	22,566,000	-	-
ii)	Mr. Nadeem Atta Sheikh	Director	29,101,000	120,000	-
iii)	Mrs. ShahnazAizaz	Director	499,500	-	-
iv)	Mrs. HafsaNadeem	Director	1,895,500	-	-
v)	Ms. AminahAizaz Sheikh*	Director	2,075,500	-	-
vi)	Mr. Rahman Sheikh	Director	2,199,500	-	-
vii)	Mr. Muhammad Atta Tanseer Sheikh	Director	2,624,000	452,192	50,000
viii)	Mr. Ibrahim Sheikh	Executive	3,145,000	-	50,000
ix)	SardarShahbaz Ali Khan Khosa	Director's spouse	-	15,000	975,000

Further 20% Bonus shares as approved by the members in AGM on 31-Oct-2013 were also issued to the directors according to their entitlement.

\*this transaction was made before her becoming director of the Company

## Pattern of shareholding

The Pattern of Shareholding alongwith additional information as required by the Code of Corporate Governance is included in this report.

## External auditors

The present auditors, M/s. KPMG TaseerHadi and Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended the re-appointment of present auditors of the Company for the ensuing year.

## Corporate Social Responsibility

Disclosure as required by the Companies (Corporate Social Responsibility) General Order, 2009 is annexed and form part of this report.



## Management and employees relations

The Board would like to record its appreciation for the valuable contribution made by all its employees. The management is quite confident that these cordial relations and cooperation will continue in the years to come.

For and on behalf of the Board

**Aizaz Mansoor Sheikh**  
Chief Executive

Lahore: September 5, 2014