

KOHAT CEMENT COMPANY LIMITED

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

September 14, 2015

Subject: Financial Results for the Year Ended June 30, 2015

Dear Sir,

We have to inform you that the Board of Directors of our company in their meeting held on **September 14, 2015 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, 2015 at **Rs. 4/-** per share i.e. **40%**. This is in addition to Interim Dividend already paid at Rs. 5/- per share i.e. 50%.

(ii) **BONUS SHARES** : **NIL**

(iii) **RIGHT SHARES** : **NIL**

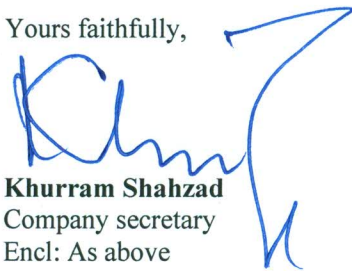
The financial results of the Company along with directors' report are attached.

The Annual General Meeting of the Company will be held on **Thursday, October 15, 2015 at 10:00 A.M. at Registered Office, Kohat Cement Factory, Pindi Road, Kohat.**

The Share Transfer Books of the Company will be closed from **Thursday, October 08, 2015 to Thursday, October 15, 2015** (both days inclusive). Transfers received at the Share Department of the Company, **M/s. Hameed Majeed Associates (Private) Limited, HM House, 7-Bank Square, Lahore**, at the close of business on **Wednesday, October 07, 2015** 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 the members of the Exchange 21 days before the date of AGM.

Yours faithfully,



Khurram Shahzad
Company secretary
Encl: As above

CC: 1. Lahore Stock Exchange

2. Islamabad Stock Exchange



Head Office: 37-P, Gulberg II, Lahore - Pakistan.
UAN: +92-42-11-111-KCCL, (5225) Fax: +92-42-3575-4084, 3587-4990
Web: www.kohatcement.com



Kohat Cement Company Limited

Profit and Loss Account

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	23	12,472,196,679	12,765,670,059
Cost of goods sold	24	(7,657,275,186)	(7,958,970,205)
Gross profit		4,814,921,493	4,806,699,854
Selling and distribution expenses	25	(94,163,118)	(82,621,730)
Administrative and general expenses	26	(113,724,870)	(146,150,841)
Other income	27	462,035,354	265,255,098
Other charges	28	(337,886,392)	(311,907,456)
		(83,739,026)	(275,424,929)
Operating profit		4,731,182,467	4,531,274,925
Finance cost	29	(93,741,914)	(154,675,816)
Profit before taxation		4,637,440,553	4,376,599,109
Taxation	30	(1,315,172,352)	(1,221,772,596)
Profit after taxation		3,322,268,201	3,154,826,513
Earnings per share - basic and diluted	31	21.50	20.42

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

MM/08

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Kohat Cement Company Limited (the Company) are pleased to present the Annual Report together with audited financial statements and Auditors' report thereon for the year ended June 30, 2015.

Overview

The cement sector of Pakistan registered an overall growth of 3.27% in terms of sales volumes during financial year ended 30th June 2015. Domestic consumption increased by 7.89% to 28.21 million MT (2014: 26.145 million MT) while exports decreased to 7.20 million MT (2014: 8.137 million MT) registering a decline of 11.57%.

The Company dispatched 1.85 million MT (2014: 1.9 million MT) of cement during the year. The decline in Sales volume was due to illegal obstruction in the mining operations of the company by some local miscreants, for a short period of time.

Production and Sale Volumes

New grey cement line operated at 80.20% capacity utilization while no Clinker was produced from old grey cement line as the new line continues to fulfill the market demand. Below is the summary of production and sales of the company during the year:

	FY 2015	FY 2014
	Metric tons	
Clinker Production	1,647,713	1,625,748
Cement Production	1,839,449	1,903,429
Local Sales	1,593,363	1,616,279
Export Sales	253,123	290,517
Total Sales	1,846,486	1,906,796

Financial performance

Despite the decrease in sales volume and increase in tax burden (3% Super Tax) the net profit after tax increased by 5.31% compared to last year. The factors contributing to increased profitability are declining coal prices, reduced financial costs and increased income from investment activities.

The operating performance of the company is summarized below:

	FY 2015	FY 2014
	(Rupees in millions)	
Net Sales	12,472	12,766
Cost of Sales	7,657	7,959
Gross Profit	4,815	4,807
Selling, distribution & admin expenses	208	229
Other expenses	338	312
Other Income	462	265
Finance Cost	94	154
Profit before Taxation	4,637	4,377
Taxation	1,315	1,222
Profit after Taxation	3,322	3,155
Earnings per share (Rs./ share)	21.50	20.42

KOHAT CEMENT COMPANY LIMITED

Future prospects

The Government spending on mega infrastructure projects including China Pakistan Economic Corridor (CPEC) in the years ahead shall have positive impact on the local demand of Cement while uncertainty is expected to prevail in the export markets. However, your management feels that the profitability of the Company shall be maintained in the foreseeable future.

WHR Project

The Company is setting up 15MW Waste Heat Recovery Power Plant (WHRPP); an alternate/renewable energy project. Once set up, it shall significantly reduce the electricity cost of the company. Initially, it was expected that the WHRPP shall commence its operations by 30th June, 2015; however, due to delay in civil works on account of increased piling work and late arrival of foreign erection team because of the extensive security requirements of the local government; the project has gotten delayed.

Presently, the erection of WHRPP is being carried out at a fast pace and the management is confident that the WHRPP shall be operative before December 2015.

Appropriations

The Board of Directors of your company is pleased to propose a 40% final cash dividend of Rs. 4 per ordinary share for Financial Year ended June 30, 2015 which is in addition to 50% interim cash dividend already paid by the Company during the year.

Appropriations approved by directors are as under:

	Rs. In 000'
Profit after taxation	3,322,268
Un-appropriated profits from prior years	6,846,233
Available for appropriation	<u>10,168,501</u>
Final cash dividend paid at Rs. 2 per share for the year ended June 30, 2014	(309,018)
Interim cash dividend paid at Rs. 5 per share for the year ended June 30, 2015	<u>(772,543)</u>
Un-appropriated profit carried forward	<u>9,086,940</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 (the Code) as incorporated in the Listing Regulations of Karachi, Lahore and Islamabad 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.

Page 2 of 4



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- 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, 2015.

Financial highlights

Key operating & financial data of last six 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. 9 to the financial statements. There is no overdue amount on account of taxes and duties.

Statement on value of staff retirement funds

The value of investments of provident fund based on its unaudited accounts as at June 30, 2015 is Rs. 86.838 million (2014: Rs. 65.462 million).

Board & its committee meetings

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

	Meetings attended	
	BOD	BAC
No. of meetings held	4	5
Mr. Aizaz Mansoor Sheikh	4 / 4	-
Mr. Nadeem Atta Sheikh	3 / 4	-
Mrs. Hijab Tariq	4 / 4	-
Mrs. Hafsa Nadeem	0 / 4	-
Ms. Aminah Aizaz Sheikh	2 / 4	3 / 5
Mr. Muhammad Atta Tanseer Sheikh	4 / 4	5 / 5
Mr. Muhammad Rehman Sheikh	4 / 4	5 / 5

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 Program

Out of the seven Directors of Company, two have obtained certification under Directors' Certification Training Program during the current year. One director obtained the required certification in the previous year whereas two Directors are exempt from such certification as they duly meet the exemption criteria given in the Code. The remaining two directors shall complete the required certification during the financial year ending June 30, 2016.

Trading in Company's shares

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

			Purchased	Sold
i)	Mr. Aizaz Sheikh	CEO/Director	-	430,000



KOHAT CEMENT COMPANY LIMITED

ii)	Mr. Muhammad Atta Tanseer Sheikh	Director	-	100,000
iii)	Mr. Ibrahim Tanseer Sheikh	Executive	-	92,000
iv)	Sardar Shahbaz Ali Khan Khosa	Director's spouse	-	70,000
v)	Mrs. Mahnum Omer Sheikh	Executive's spouse	87,000	137,000

Pattern of shareholding

The Pattern of Shareholding along with additional information as required by the Code is included in this report.

External auditors

The present auditors, M/s. KPMG Taseer Hadi 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.

Statement u/s 241(2) of the Companies Ordinance, 1984

This Director Report has been signed by two directors instead of Chief Executive Officer and one Director, as the Chief Executive Officer is for the time being not in Pakistan.

For and on behalf of the Board


Nadeem Atta Sheikh
Director


Muhammad Rehman Sheikh
Director

Lahore: September 14, 2015

