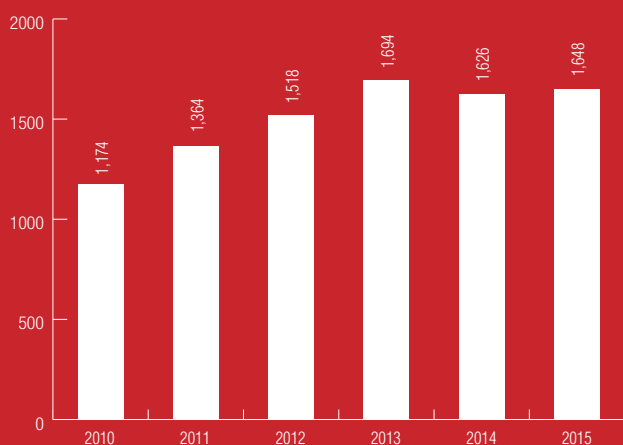


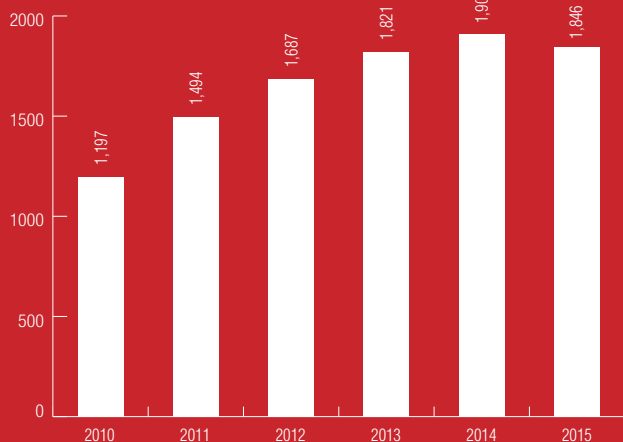
DIRECTORS' REPORT TO THE SHAREHOLDERS

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.

Clinker Production ('000 tons)



Cement Dispatches ('000 tons)



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:

	2015	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:

	2015	2014
	Rupees in Million	
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
Taxes	1,315	1,222
Profit after taxation	3,322	3,155
Earnings per share (Rs./share)	21.50	20.42

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	10,168,501
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	(772,543)
Un-appropriated profit carried forward	9,086,940

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.
- 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
1)	Mr. Aizaz Sheikh	CEO/Director	-	430,000
2)	Mr. Muhammad Atta Tanseer Sheikh	Director	-	100,000
3)	Mr. Ibrahim Tanseer Sheikh	Executive	-	92,000
4)	Sardar Shahbaz Ali Khan Khosa	Director's spouse	-	70,000
5)	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 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



Director



Director

Lahore: September 14, 2015