



## D.G. KHAN CEMENT COMPANY LIMITED

Head Office: Nishat House, 53 - A, Lawrence Road, Lahore - Pakistan.  
UAN: (92 - 42) 111 113 333, Tel: (92 - 42) 36360154, Fax: (92 - 42) 36367414  
E-mail: info@dgcement.com

SECY/STOCKEXC/

February 24, 2020

The General Manager,  
Pakistan Stock Exchange Limited,  
Stock Exchange Building,  
Stock Exchange Road,  
KARACHI.

SUB:

**SUBMISSION OF HALF YEARY ACCOUNTS  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

Dear Sir,

In compliance with the provisions of Section 237 of the Companies Act, 2017, read with PSX Notice No. PSX/N-4207 dated July 13, 2018 and PSX/N-4952 dated August 29, 2018, we are pleased to submit electronically through PUCAR un audited accounts for the half year ended December 31, 2019.

Thanking you,

Yours truly,

  
**KHALID MAHMOOD CHOHAN**  
**COMPANY SECRETARY**

**Factory Sites:**

Khofli Sattai, Distt. Dera Ghazi Khan - Pakistan. UAN: (92 - 64) 111 - 113 - 333 Tel: (92 - 42) 36360153, Fax: (92 - 64) 2585010  
Khairpur, Tehsil, Kallar Kahar. Distt. Chakwal - Pakistan. Tel: (92 - 42) 36360152 Fax: (92 - 543) 650231



NISHAT



D.G. KHAN CEMENT  
COMPANY LIMITED

Half Yearly Report,  
December 31,

**2019**

(Un-audited)

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## Company Information

<b>Board of Directors</b>	<p>Mrs. Naz Mansha Mr. Raza Mansha Mr. Khalid Niaz Khawaja Mr. Usama Mahmood Mr. Mahmood Akhtar Mr. Farid Noor Ali Fazal Mr. Shahzad Ahmad Malik Female Directors Male Directors</p>	<p>Chairperson Chief Executive Independent Non-Executive Non-Executive Executive Non-Executive 01 06</p>
<b>Audit Committee</b>	<p>Mr. Khalid Niaz Khawaja Mr. Mahmood Akhtar Mr. Usama Mahmood</p>	<p>Member/Chairman Member Member</p>
<b>Human Resource &amp; Remuneration Committee</b>	<p>Mr. Khalid Niaz Khawaja Mr. Raza Mansha Mr. Shahzad Malik</p>	<p>Member/Chairman Member Member</p>
<b>Company Secretary</b>	<p>Mr. Khalid Mahmood Chohan</p>	
<b>Management</b>	<p>Mr. Raza Mansha Dr. Arif Bashir Mr. Farid Noor Ali Fazal Mr. Inayat Ullah Niazi</p>	<p>Chief Executive Officer Director Technical &amp; Operations Director Marketing Chief Financial Officer</p>
<b>Local Bankers</b>	<p>Allied Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Bank Islami Pakistan Limited Dubai Islamic Bank Faysal Bank Limited Habib Bank Limited Limited Habib Metropolitan Bank MCB Bank Limited JS Bank Limited Citi Bank N.A. Askari Bank Limited</p>	<p>MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Samba Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited The Bank of Khyber Silk Bank Limited Industrial and Commercial Bank of China (ICBC)</p>
<b>External Auditors</b>	<p>A.F. Ferguson &amp; Co., Chartered Accountants</p>	
<b>Legal Advisors</b>	<p>Mr. Shahid Hamid, Bar-at-Law</p>	
<b>CUIN</b>	<p>0006469</p>	
<b>NTN</b>	<p>1213275-6</p>	
<b>STRN</b>	<p>0402252300164</p>	
<b>Symbol</b>	<p>DGKC</p>	

## Contact Us

### Registered Office

Nishat House, 53-A, Lawrence Road,  
Lahore-Pakistan  
UAN: 92 42 111 11 33 33  
Fax: 92 42 36367414  
Email: info@dgcement.com  
web site: www.dgcement.com

### Factories

Khofli Sattai, Distt., Dera Ghazi Khan-Pakistan  
Phone: 92-641-460025-7  
Fax: 92-641-462392  
Email: dgsite@dgcement.com

12, K.M. Choa Saidan Shah Road,  
Khairpur, Tehsil Kallar Kahar,  
Distt. Chakwal-Pakistan  
Phone: 92-543-650215-8  
Fax: 92-543-650231

Chichae Gadani Main RCD, Hub,  
Distt. Lasbela, Pakistan  
UAN: 92 42 111 11 33 33

### Share Registrar

THK Associates (Pvt) Ltd  
Head Office, Karachi  
1<sup>st</sup> Floor, 40-C, Block-6,  
P.E.C.H.S., Karachi.  
Tel: (021) 111 000 322  
Fax: (021) 34168271

Branch Office, Lahore  
DYL Motorcycles Ltd. Office,  
147-Q Block, Behind Emporium Mall,  
Johar Town, Lahore  
Cell: 0303-4444795, 0323-8999514

### For Investors' Information, Comments, Inquiries, Complaints:

Mr. Inayat Ullah Niazi  
Chief Financial Officer  
E-mail: iniazi@dgcement.com  
Phone: 0092 42 111 11 33 33

Mr. Khalid Mehmood Chohan  
Company Secretary  
E-mail: kchohan@dgcement.com  
Phone: 0092 42 111 11 33 33

## Directors' Report

The directors of your company are pleased to present you the results of Half Year of FY20:

	HY FY20	HY FY19	Variance	
	Rupees in '000'			%
Sales	20,888,257	19,767,205	1,121,052	5.67%
Cost of sales	(19,866,771)	(16,582,421)	(3,284,350)	19.81%
<b>Gross profit</b>	<b>1,021,486</b>	<b>3,184,784</b>	<b>(2,163,298)</b>	<b>-67.93%</b>
Administrative expenses	(357,829)	(311,956)	(45,873)	14.70%
Selling and distribution expenses	(1,009,495)	(653,703)	(355,792)	55.72%
Net impairment losses on financial assets	(50,200)	-	(50,200)	100.00%
Other operating expenses	(54,878)	(431,180)	376,302	-87.27%
Other income	1,184,946	1,144,631	40,315	3.52%
Finance cost	(2,455,664)	(1,342,738)	(1,112,926)	82.88%
<b>Loss) / Profit before taxation</b>	<b>(1,721,634)</b>	<b>1,589,838</b>	<b>(3,311,472)</b>	<b>-208.29%</b>
Taxation	874,576	151,951	722,625	475.56%
<b>(Loss) / Profit after taxation</b>	<b>(847,058)</b>	<b>1,741,789</b>	<b>(2,588,847)</b>	<b>-148.63%</b>
EPS (Rs/share)	-1.93	3.98		

Production and Sales volumetric data is as under:

Figures in MT

	HY FY20	HY FY19	Variance	
<b>Production:</b>	In MT			%
Clinker	3,353,987	3,093,121	260,866	8.43%
Cement	2,973,846	2,653,899	319,947	12.06%
<b>Sales:</b>				
Total	2,948,298	2,645,188	303,110	11.46%
Local (excluding own consumption)	2,853,185	2,469,752	383,433	15.53%
Exports	95,113	175,436	-80,323	-45.78%
Clinker Sale	939,208	361,326	577,882	159.93%

Financial year 2020 started in the environment where Pakistan economy was undergoing the stabilization measures under the new IMF program. Tight fiscal and monetary measures, high inflation and rising fuel prices impacted the purchasing power of customers. Excessive taxation on housing sector and government drive for documentation of economy, though beneficial in the long run, further slowed down the construction activity in the country. Capacity expansion in the industry since June 2019 also intensified price war to maintain individual market share. These factors contributed towards declining profitability of cement industry with worsening profitability and liquidity ratios.

In volume terms, total sales quantity of industry witnessed a growth of 6.51% but sales utilization declined to 83% against 85% for the corresponding period last year due to capacity addition. It was largely contributed by exports of 15% (HY19: 13%) against the local sales utilization of 68% (HY19: 72%). Clinker export is the main factor that contributed to the overall export growth of 22.91% against

the local sales growth of 3.54%

In line with the industry, first half of FY 2020 of your Company was not encouraging. Overall cement sales quantity registered growth, mainly driven by local cement sales and clinker exports. Exports of cement declined mainly from halt of exports to India after imposition of 200% duty. Clinker was exported to contribute towards fixed costs and to reduce the piling clinker stocks. Sales utilization of your Company improved to 109% (HY 2020: 85%) against the industry of 83%.

Sales, in value terms, registered growth primarily due to an increase in volume. Costs escalation mainly from general inflation, rise in energy prices and continuous currency devaluation since September 2018 could not be absorbed in the falling cement prices amid high competition in the industry. However, prices showed some stability in the second quarter. Increased capacity utilization in the second quarter resulted in efficiency gain that lowered the cost of production on QOQ basis. However current year (YTD) sales prices remained on the lower side that resulted in fall in GP (in absolute terms & as a % of sales). Selling expenses increase were associated with the rise in clinker exports. Finance cost registered increase mainly driven by hike in discount rates as compared to corresponding period last year and more borrowings to finance the inflationary pressure on working capital.

Cement volumetric sales will remain under pressure in the near future and price war is expected to continue and could be fluctuated negatively. GDP % would remain low (projected 2.8%) for this year 2020 that could affect the overall demand in the economy. Tensions in middle east further escalate that may shake the oil prices upward. With low reserves with SBP, the effect could be trickled down and could affect the costs. Coal prices are also trending upward. There is also potential implication of axle load for the company. On the positive side, Government started releasing PSDP funds to boost development activities after IMF review in October. Groundbreaking of Special economic zones took place recently that can attract business opportunities for investors and may create demand for construction activities. Flagship projects like Naya Pakistan Housing Program, Diamer-Bhasha Dam and Mohmand Dam are yet to come into construction phase. These factors are expected to contribute positively towards profitability of the Company.

The principal activity of the Company is manufacture and sale of cement and clinker and following are the principal risks the Company face:

- Tight price market and tough competition
- Capacity utilization
- Interest rate
- Foreign currency fluctuations
- Shrinking cement exports market

The Board of Directors has approved Directors' Remuneration Policy. The main features of the policy are as follows:

- The Company shall not pay remuneration of its non-executive directors including independent directors except for meeting fee for attending Board and its Committee meetings.
- The Company will reimburse or incur expenses of traveling and accommodation of Directors in relation to attending of Board and its Committees meetings, if any.
- The Directors' Remuneration Policy will be reviewed and approved by the Board of Directors from time to time.

**Following are the directors of the Company:**

Mrs. Naz Mansha (Chairperson)	Non- Executive
Mr. Raza Mansha	Executive
Mr. Khalid Niaz Khawaja	Independent
Mr. Usama Mahmood	Non-Executive
Mr. Mahmood Akhtar	Non-Executive
Mr. Farid Noor Ali Fazal	Executive
Mr. Shahzad Ahmad Malik	Non-Executive

Female Directors: 01

Male Directors: 06

**Audit Committee**

Mr. Khalid Niaz Khawaja	Chairman
Mr. Mohammad Usama Mahmood	Member
Mr. Mahmood Akhtar	Member

**Human Resource & Remuneration Committee**

Mr. Khalid Niaz Khawaja	Chairman
Mr. Raza Mansha	Member
Mr. Shahzad Malik	Member

There are no material post balance sheet events affecting the period end position.

Our plants and operations are complying with international and national environmental standards. DGKC is fully cognizant of its responsibility towards society and welfare. The Company is spending on education, health, medical and fire-fighting facilities, water supply to nearby localities, aiding in emergency and disaster situations in nearby areas, awareness campaigns, etc.

There are no changes that have occurred during the period under review concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has an interest.

The Directors of your company state that the system of internal control is sound in design and has been effectively implemented and monitored. Significant deviations from last period in operating results of the company are highlighted and reasoned in other parts of Directors report.

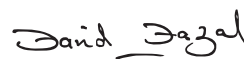
We thank all our stakeholders and admire the efforts of our employees.

For and on behalf of the Board



**Raza Mansha**

Chief Executive Officer



**Farid Noor Ali Fazal**

Director

Lahore  
February 13, 2020



جناب محمود اختر	نان ایگزیکٹو
جناب فرید نور علی فضل	ایگزیکٹو
جناب شہزاد احمد ملک	نان ایگزیکٹو
خاتون ڈائریکٹر:	01
مروڈائریکٹر:	06

### آڈٹ کمیٹی

جناب خالد نیاز خواجہ	چیئر مین
جناب اُسامہ محمود	رکن
جناب محمود اختر	رکن
ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی	
جناب خالد نیاز خواجہ	چیئر مین
جناب رضاشا	رکن
جناب شہزاد ملک	رکن

اختتام پذیر مدت کی حیثیت کو متاثر کرنے والے کوئی بعد از پبلش شیٹ نمایاں واقعات رونما نہیں ہوئے ہیں۔

ہمارے پلانٹس اور آپریشنز بین الاقوامی اور قومی ماحولیاتی معیارات کی تعمیل کر رہے ہیں۔ DGKC سوسائٹی اور ویلفیئر کی اپنی ذمہ داریوں کو مکمل طور پر پہچانتی ہے۔ کمپنی نزدیکی آبادیوں کے لئے تعلیم، صحت، طبی اور آگ بجھانے کی سہولیات، واٹر سپلائی، نزدیکی علاقوں میں ایمر جنسی اور آفاقی حالات میں مدد، آگاہی مہمات وغیرہ پر خرچ کر رہی ہے۔

کمپنی یا اس کی ذیلی کمپنیوں یا کسی دیگر کمپنی جس میں کمپنی دلچسپی رکھتی ہے کے کاروبار کی نوعیت سے متعلقہ کوئی تبدیلیاں نہیں ہیں جو زیر جائزہ مدت کے دوران رونما ہوئی ہوں۔

آپ کی کمپنی کے ڈائریکٹرز بیان کرتے ہیں کہ داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسکی موثر طریقہ سے عملدرآمد اور نگرانی کی جاتی ہے۔ کمپنی کے آپریٹنگ نتائج میں گزشتہ مدت سے اہم تغیرات ڈائریکٹرز رپورٹ کے دیگر حصوں میں اجاگر کئے گئے ہیں اور وجوہات بیان کی گئی ہیں۔

ہم اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں اور اپنے تمام ملازمین کی ان تھک کوششوں کو سراہتے ہیں۔

منجانب بورڈ

David Jazal

فرید نور علی فضل

ڈائریکٹر

رضاشا

رضاشا

چیف ایگزیکٹو آفیسر

لاہور

13 فروری 2020ء

حجم کے لحاظ سے، صنعت کی کل فروخت مقدار میں 6.51 فیصد کی نمو دیکھی گئی ہے لیکن گھٹانٹ میں اضافے کی وجہ سے گزشتہ سال اسی مدت کے 85 فیصد کے مقابلے میں مستعمل فروخت کم ہو کر 83 فیصد رہ گئی ہے۔ اس نے مقامی مستعمل فروخت 68 فیصد (68:HY 19) کے مقابلے برآمدات 15 فیصد (13:HY 19) کا بڑا حصہ شامل کیا۔ کلنگری کی برآمدات ایک اہم عنصر ہیں جس نے مقامی فروخت نمو 3.54 فیصد کے مقابلے میں 22.91 فیصد کی مجموعی برآمد نمو کا حصہ شامل کیا ہے۔

صنعت کے مطابق، آپ کی کمپنی کی مالی سال 2020 کی پہلی ششماہی حوصلہ افزا نہیں تھی۔ مجموعی طور پر سیمنٹ کی فروخت کی مقدار میں رجسٹرڈ نمو، بنیادی طور پر مقامی سیمنٹ کی فروخت اور کلنگری برآمدات کے ذریعہ کارفرما ہے۔ بنیادی طور پر سیمنٹ کی برآمدات میں 200 فیصد برآمد ڈیوٹی عائد کرنے کے بعد بھارت کو برآمدات رکھنے سے گراوٹ آئی ہے۔ کلنگری کے مقررہ اخراجات میں حصہ ڈالنے اور پائلنگ کلنگری اسٹاک کو کم کرنے کے لئے برآمد کیا گیا تھا۔ آپ کی کمپنی کی مستعمل فروخت اوپننگ اسٹاک سے کلنگری کی فروخت سے صنعت کی 83 فیصد کے مقابلے میں 109 فیصد (HY 2020: 85) فیصد تک بڑھ گئی ہے۔

قیمت کے لحاظ سے فروخت، بنیادی طور پر حجم میں اضافے کی وجہ سے زیادہ ہوئی ہے۔ بنیادی طور پر عام افراط زر، توانائی کی قیمتوں میں اضافے اور ستمبر 2018 کے بعد سے کرنسی کی قدر میں مسلسل کمی سے اخراجات میں اضافہ، صنعت میں اعلیٰ مسابقت کے درمیان سیمنٹ کی گرتی قیمتوں میں منتقل نہیں ہو سکتا تھا۔ تاہم، قیمتوں نے دوسری سہ ماہی میں کچھ استحکام ظاہر کیا لیکن قیمت کے دباؤ سے مقابلہ نہیں کر سکا۔ اس کے نتیجے جی پی میں گر گیا (مطلق شرائط میں اور فروخت کے فیصد کے طور پر)۔ فروخت کے اخراجات میں اضافہ کلنگری کی برآمدات میں اضافے سے وابستہ تھا۔ ورکنگ کیپٹل پر مبنی گائی کے دباؤ کی مالی اعانت کے لئے قرضوں اور گزشتہ سال کی اسی مدت کے موازنہ میں مالی لاگت کے اندراج میں اضافہ بنیادی طور پر ڈسکاؤنٹ ریٹ میں اضافے سے ہوا ہے۔

مستقبل قریب میں جی پی لحاظ سے سیمنٹ کی فروخت دباؤ میں رہے گی اور توقع ہے کہ قیمتوں میں جنگ جاری رہے گی اور منفی اتار چڑھاؤ ہو سکتا ہے۔ اس سال 2020 میں جی ڈی پی فیصد کم (متوقع 2.8 فیصد) رہے گی جو معیشت کی مجموعی طلب کو متاثر کر سکتی ہے۔ مشرق وسطیٰ میں تناؤ مزید بڑھ گیا ہے جو تیل کی قیمتوں کو بڑھا سکتا ہے۔ اسٹیٹ بینک پاکستان کے ہاں کم ذخائر کے ساتھ، اثر کم ہو سکتا ہے اور اخراجات کو متاثر کر سکتا ہے۔ مثبت پہلو پر، حکومت نے اکتوبر میں آئی ایم ایف کے جائزے کے بعد ترقیاتی سرگرمیوں کو فروغ دینے کے لئے پی ایس ڈی پی فنڈز جاری کرنا شروع کر دیے ہیں۔ خصوصی معاشی زونز کی گراؤنڈ بریکنگ حال ہی میں ہوئی ہے جو سرمایہ کاروں کے لئے کاروبار کے مواقعوں کو راغب کر سکتی ہے اور ترقیاتی سرگرمیوں کی طلب پیدا کر سکتی ہے۔ نیا پاکستان باؤسنگ پروگرام، دیامر بھاشا ڈیم اور مہند ڈیم جیسے فلیگ شپ منصوبے ابھی تک تعمیراتی مرحلے میں نہیں آئے ہیں۔ توقع کی جاتی ہے کہ یہ عوامل کمپنی کے منافع میں مثبت کردار ادا کریں گے۔

کمپنی کی بنیادی سرگرمی سیمنٹ کی تیاری اور فروخت کرنا ہے اور کمپنی کو مندرجہ ذیل اہم خطرات کا سامنا ہے:

- مارکیٹ قیمت اور سخت مقابلہ
- مستعمل پیداواری صلاحیت
- سود کی شرح
- غیر ملکی کرنسی کا اتار چڑھاؤ
- برآمد مارکیٹ کا سکلر او

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کے معاوضہ کی پالیسی کی منظوری دی ہے۔ پالیسی کی بنیادی خصوصیات مندرجہ ذیل ہیں:

کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے سوائے آزاد ڈائریکٹرز سمیت اپنے نان ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرے گی۔ کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں ڈائریکٹرز کے سفر اور رہائش کے اخراجات ادا کرے گی۔ بورڈ آف ڈائریکٹرز، وقتاً فوقتاً ڈائریکٹرز معاوضہ پالیسی کا جائزہ اور اس کی منظوری دیں گے۔

**مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:**

محترمہ نازمنشا (چیئر پرسن)	نان ایگزیکٹو
جناب رضامنشا	ایگزیکٹو
جناب خالد نیاز خواجہ	آزاد
جناب اُسامہ محمود	نان ایگزیکٹو

## حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 2020 کی پہلی ششماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

پاکستانی روپے ہزاروں میں

تغییرات	پہلی ششماہی مالی سال 2019	پہلی ششماہی مالی سال 2020	
5.67%	1,121,052	19,767,205	20,888,257
19.81%	(3,284,350)	(16,582,421)	(19,866,771)
<b>-67.93%</b>	<b>(2,163,298)</b>	<b>3,184,784</b>	<b>1,021,486</b>
14.70%	(45,873)	(311,956)	(357,829)
55.72%	(355,792)	(653,703)	(1,009,495)
100.00%	(50,200)	-	(50,200)
-87.27%	376,302	(431,180)	(54,878)
3.52%	40,315	1,144,631	1,184,946
82.88%	(1,112,926)	(1,342,738)	(2,455,664)
<b>-208.29%</b>	<b>(3,311,472)</b>	<b>1,589,838</b>	<b>(1,721,634)</b>
475.56%	722,625	151,951	874,576
<b>-148.63%</b>	<b>(2,588,847)</b>	<b>1,741,789</b>	<b>(847,058)</b>
		3.98	-1.93

امسال کے لئے آپ کی کمپنی کی پیداوار اور فروخت حجم کے اعداد و شمار درج ذیل ہیں:

اعداد و شمار میٹرک ٹن میں

تغییرات	پہلی ششماہی مالی سال 2019	پہلی ششماہی مالی سال 2020	
8.43%	260,866	3,093,121	3,353,987
12.06%	319,947	2,653,899	2,973,846
11.46%	303,110	2,645,188	2,948,298
15.53%	383,433	2,469,752	2,853,185
-45.78%	-80,323	175,436	95,113
159.93%	577,882	361,326	939,208

مالی سال 2020 کا آغاز اس ماحول میں ہوا جہاں پاکستان کی معیشت نئے آئی ایم ایف پروگرام کے تحت استحکام کے اقدامات سے گزر رہی ہے۔ سخت مالی اور مالیاتی اقدامات، اعلیٰ افراط زر اور ایندھن کی بڑھتی قیمتوں کی صارفین کی قوت خرید کو متاثر کیا۔ ہاؤسنگ سیکٹر پر ضرورت سے زیادہ ٹیکس لگانے اور معیشت کو دستاویزی بنانے کے لئے حکومتی مہم نے، اگرچہ یہ طویل عرصے میں فائدہ مند ہے، ملک میں تعمیراتی سرگرمیوں کو مزید بدست کر دیا۔ جون 2019 کے بعد سے صنعت میں صلاحیت کی توسیع نے انفرادی مارکیٹ شیئر کو برقرار رکھنے کے لئے قیمتوں کی جنگ میں بھی شدت پیدا کر دی۔ ان عوامل نے منفی منافع اور کیوبیڈیٹی تناسب کے ساتھ سیمنٹ کی صنعت کے منافع کو کم کرنے میں اہم کردار ادا کیا۔

# Interim Unconsolidated Financial Statements



## Independent Auditor's Review Report To The Members Of D.G. Khan Cement Company Limited Report On Review Of Interim Financial Statements

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of D.G Khan Cement Company Limited as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2018 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2019.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

Chartered Accountants,

Lahore,  
Dated: February 13, 2020

## Unconsolidated Condensed Interim Statement of Financial Position

		31 December, 2019 Un-Audited (Rupees in thousand)	30 June, 2019 Audited
	Note		
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised share capital			
- 950,000,000 (June 30, 2019: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2019: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up share capital			
438,119,118 (June 30, 2019: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Other reserves		32,698,314	28,922,952
Revenue reserve: Un-appropriated profits		<u>36,339,095</u>	<u>37,624,272</u>
		73,418,600	70,928,415
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	14,953,439	15,985,030
Long term deposits		260,741	242,043
Deferred liabilities		485,314	449,194
Deferred taxation		<u>3,215,116</u>	<u>4,089,691</u>
		18,914,610	20,765,958
<b>CURRENT LIABILITIES</b>			
Trade and other payables		9,248,434	8,029,874
Accrued markup		792,394	809,569
Short term borrowings - secured		18,857,801	20,258,570
Current portion of non-current liabilities		5,452,400	5,080,511
Unclaimed dividend		34,385	33,438
Provision for taxation		<u>35,090</u>	<u>35,090</u>
		34,420,504	34,247,052
<b>Contingencies and Commitments</b>			
	7	<u>126,753,714</u>	<u>125,941,425</u>

The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



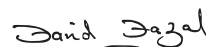
Chief Executive

## As At December 31, 2019 (Un-audited)

		31 December, 2019 Un-Audited (Rupees in thousand)	30 June, 2019 Audited
	Note		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	79,682,315	79,980,234
Investments	9	13,730,222	12,276,961
Long term loans to employees		237	237
Long term deposits		59,503	60,733
		<u>93,472,277</u>	<u>92,318,165</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		7,682,349	9,240,264
Stock-in-trade		2,591,514	3,714,058
Trade debts		1,483,067	1,191,881
Investments	9	16,598,676	14,129,075
Loans, advances, deposits, prepayments and other receivables		266,644	1,064,369
Loan to related party	10	765,000	1,000,000
Income tax receivable		3,451,127	2,794,695
Cash and bank balances		443,060	488,918
		<u>33,281,437</u>	<u>33,623,260</u>
		<u>126,753,714</u>	<u>125,941,425</u>



Chief Financial Officer



Director

## Unconsolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Six-Month Period ended December 31, 2019 (Un-audited)

Note	2019		2018	
	July to December (Rupees in thousand)	October to December (Rupees in thousand)	July to December (Rupees in thousand)	October to December (Rupees in thousand)
<b>Sales</b>	20,888,257	11,818,812	19,767,205	11,581,312
Cost of sales	(19,866,771)	(10,259,310)	(16,582,421)	(9,433,893)
<b>Gross profit</b>	1,021,486	1,559,502	3,184,784	2,147,419
Administrative expenses	(357,829)	(207,255)	(311,956)	(142,310)
Selling and distribution expenses	(1,009,495)	(524,078)	(653,703)	(471,174)
Net impairment losses on				
financial assets	(50,200)	(50,200)	-	-
Other expenses	(54,878)	(52,868)	(431,180)	(403,191)
Other income	1,184,946	631,849	1,144,631	675,339
Finance cost	(2,455,664)	(1,199,560)	(1,342,738)	(736,119)
<b>(Loss)/profit before taxation</b>	(1,721,634)	157,390	1,589,838	1,069,964
Taxation	874,576	423,611	151,951	254,002
<b>(Loss)/profit for the period</b>	(847,058)	581,001	1,741,789	1,323,966
<b>(Loss)/earnings per share</b>				
<b>(basic and diluted - in Rupees)</b>	(1.93)	1.33	3.98	3.02

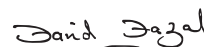
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director



# Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Six-Month Period ended December 31, 2019 (Un-audited)

	2019		2018	
	July to December (Rupees in thousand)	October to December (Rupees in thousand)	July to December (Rupees in thousand)	October to December (Rupees in thousand)
<b>(Loss)/profit for the period</b>	(847,058)	581,001	1,741,789	1,323,966
<b>Other comprehensive income/(loss) for the period - net of tax</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Change in fair value of available-for-sale investments	-	-	(2,871,037)	(3,469,541)
Tax effect of change in fair value of available-for-sale investments	-	-	336,654	336,654
	-	-	(2,534,383)	(3,132,887)
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Change in fair value of investments at fair value through other comprehensive income (FVOCI)	3,775,361	2,774,669	-	-
	3,775,361	2,774,669	(2,534,383)	(3,132,887)
<b>Total comprehensive income/(loss) for the period</b>	<b>2,928,303</b>	<b>3,355,670</b>	<b>(792,594)</b>	<b>(1,808,921)</b>

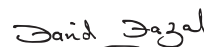
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Chief Executive



Chief Financial Officer



Director

## Unconsolidated Condensed Interim Statement of Changes In Equity

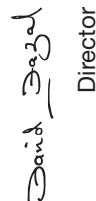
For the Six-Month Period ended December 31, 2019 (Un-audited)

	(Rupees in thousands)							
	Capital reserve				Revenue reserve			
	Share capital	Share premium	Fair value reserve	FVOCI reserve	Capital redemption reserve fund	General Un-appropriated profits		
Balance as at July 1, 2018 - Audited	4,381,191	4,557,163	24,779,125	-	353,510	5,071,827	37,991,605	77,134,421
Total comprehensive (loss)/income for the period								
- Profit for the period	-	-	-	-	-	-	1,741,789	1,741,789
- Other comprehensive loss for the period	-	-	(2,534,383)	-	-	-	-	(2,534,383)
Transactions with owners in their capacity as owners recognised directly in equity	-	-	(2,534,383)	-	-	-	1,741,789	(792,594)
- Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)	-	-	-	-	-	-	-	-
Balance as at December 31, 2018 - Un-audited	4,381,191	4,557,163	22,244,742	-	353,510	5,071,827	37,871,381	74,479,814
Balance as at July 1, 2019 - Audited	4,381,191	4,557,163	-	18,940,452	353,510	5,071,827	37,624,272	70,928,415
Total comprehensive income/(loss) for the period								
Loss for the period	-	-	-	-	-	-	(847,058)	(847,058)
- Other comprehensive income for the period	-	-	-	3,775,361	-	-	-	3,775,361
Transactions with owners in their capacity as owners recognised directly in equity	-	-	-	3,775,361	-	-	(847,058)	2,928,303
- Final dividend for the year ended June 30, 2019 (Re 1.00 per share)	-	-	-	-	-	-	-	-
Balance as at December 31, 2019 - Un-audited	4,381,191	4,557,163	-	22,715,813	353,510	5,071,827	36,339,095	73,418,599

The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director

## Unconsolidated Condensed Interim Statement of Cash Flows

For the Six-Month Period ended December 31, 2019 (Un-audited)

	Note	2019 July to December (Rupees in thousand)	2018 July to December
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	6,007,755	1,390,585
Finance cost paid		(2,472,839)	(1,105,466)
Retirement and other benefits paid		(65,247)	(34,820)
Income tax paid		(656,431)	(619,695)
Long term deposits - net		18,698	77,035
Net cash inflow/(outflow) from operating activities		2,831,936	(292,361)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,648,939)	(2,764,272)
Proceeds from disposal of property, plant and equipment		71,962	20,735
Investments in equity instruments		(147,500)	(150,000)
Long term loans, advances and deposits - net		1,230	(1,565)
Recovery of loan to related party		235,000	-
Interest received		65,557	46,378
Dividend received		987,988	1,019,492
Net cash outflow from investing activities		(434,702)	(1,829,232)
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(2,159,702)	(697,833)
Proceeds from long term finances		1,500,000	2,700,000
Dividend paid		(437,172)	(1,851,222)
Net cash (outflow)/inflow from financing activities		(1,096,874)	150,945
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,300,360	(1,970,648)
<b>Cash and cash equivalents at the beginning of the period</b>		(19,769,652)	(11,740,563)
Effect of exchange rate changes on cash and cash equivalents		54,551	(97,310)
<b>Cash and cash equivalents at the end of the period</b>	13	(18,414,741)	(13,808,521)

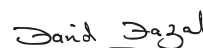
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

## **Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited)** For the Six-Month Period Ended December 31, 2019

### **1. Status and nature of business**

D. G. Khan Cement Company Limited (the 'Company') is a public company limited by shares incorporated in Pakistan in 1978 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore.

The Company is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. It has four cement plants, two plants located at Dera Ghazi Khan ('D.G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub').

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard ('IAS') 34, Interim Financial Reporting, issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### **2.2** These unconsolidated condensed interim financial statements are un-audited and are being submitted to the members as required by section 237 of the Companies Act, 2017 (the 'Act').

These unconsolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2019. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The Company is required to issue condensed interim consolidated financial statements along with its condensed interim separate financial statements in accordance with the requirements of accounting and reporting standards as applicable in Pakistan. Condensed interim consolidated financial statements are prepared separately.

### **3. Significant accounting policies**

#### **3.1** The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2019 except for the adoption of new and amended standards as set out below:

#### **3.2 Standards, amendments to published standards and interpretations that are effective in the current period**

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting periods beginning on July 1, 2019, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

### 3.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

## 4. Accounting estimates

The preparation of these unconsolidated 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 expenses. Actual results may differ from these estimates.

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Company for the year ended June 30, 2019, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 5.

## 5. Taxation

Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

December 31, 2019	June 30, 2019
Un-audited	audited
(Rupees in thousand)	

## 6. Long term finances - secured

Long term loans	- note 6.1	20,365,622	21,025,324
Current portion shown under current liabilities		(5,412,183)	(5,040,294)
		<u>14,953,439</u>	<u>15,985,030</u>

### 6.1 The reconciliation of the carrying amount is as follows:

Opening balance	21,025,324	20,040,471
Disbursements during the period/year	1,500,000	3,600,000
Repayments during the period/year	(2,159,702)	(2,615,147)
Closing balance	<u>20,365,622</u>	<u>21,025,324</u>

## 7. Contingencies and commitments

### 7.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2019 except for the matter disclosed in note 15.1.8 to the preceding annual financial statements, which is mentioned below:

A guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, has been enhanced to Rs 840.914 million (June 30, 2019: Rs 550 million).

**7.2 Commitments in respect of:**

- (i) Contracts for capital expenditure Rs 1,294.325 million (June 30, 2019: Rs 1,600.703 million).
- (ii) Letters of credit for capital expenditure Rs 5,053.228 million (June 30, 2019: Rs 935.353 million).
- (iii) Letters of credit other than capital expenditure Rs 3,263.597 million (June 30, 2019: Rs 1,423.09 million).

December 31, 2019	June 30, 2019
Un-audited	audited
(Rupees in thousand)	

**8. Property, plant and equipment**

Operating fixed assets	- note 8.1	75,377,220	76,928,989
Capital work-in-progress	- note 8.2	4,095,435	3,008,937
Major spare parts and stand-by equipment		209,660	42,308
		<u>79,682,315</u>	<u>79,980,234</u>

**8.1 Operating fixed assets**

Opening book value		76,928,989	73,434,283
Additions during the period/year	- note 8.1.1	395,089	7,022,815
		<u>77,324,078</u>	<u>80,457,098</u>
Disposals during the period/year - at book value		(103,772)	(28,042)
Depreciation charged for the period/year		(1,843,086)	(3,500,067)
		<u>(1,946,858)</u>	<u>(3,528,109)</u>
Closing book value		<u>75,377,220</u>	<u>76,928,989</u>

**8.1.1 Additions during the period/year**

Freehold land	15,570	19,990
Leasehold land	-	200,000
Buildings on freehold land:		
- Factory buildings	-	1,412,254
- Office building and housing colony	2,531	553,029
Roads	-	838,514
Plant and machinery	114,727	3,098,894
Quarry equipment	111,311	312,609
Furniture and fittings	31,286	115,553
Office equipment	64,213	71,188
Vehicles	55,451	257,635
Power and water supply lines	-	143,149
	<u>395,089</u>	<u>7,022,815</u>

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

## 8.2 Capital work-in-progress

Civil works	1,414,780	1,001,461
Plant and machinery	2,430,618	1,724,300
Advances to suppliers and contractors	110,049	236,442
Others	139,988	46,734
	<u>4,095,435</u>	<u>3,008,937</u>

## 9. Investments

This includes Level 3 investments in Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited that are related parties on the basis of common directorship. The reconciliation of carrying amount of these investments is as follows:

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	
1,983,213	3,392,170
147,500	441,667
-	(1,850,624)
<u>2,130,713</u>	<u>1,983,213</u>

## 10. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount is due for repayment on October 27, 2019 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2019. It carried markup at the rate of 1 month Karachi Inter Bank Offered Rate (KIBOR) + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. The reconciliation of carrying amount is as follows:

December 31, 2019	June 30, 2019
Un-audited	audited
(Rupees in thousand)	
1,000,000	1,000,000
235,000	-
765,000	1,000,000

**11. Transactions with related parties**

The related parties include the subsidiaries, the Investor (Nishat Mills Limited), related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

		July to December 2019	July to December 2018
		Un-audited	Un-audited
(Rupees in thousand)			
Relationship with the Company	Nature of transaction		
i. Subsidiary entities	Purchase of goods and services	1,311,328	956,689
	Rental income	464	464
	Sale of goods	14,973	10,763
ii. Investor	Sale of goods	15,323	37,346
	Dividend income	121,158	143,875
	Dividends paid	137,574	584,690
iii. Other related entities	Insurance premium	82,396	91,514
	Sale of goods	35,043	70,359
	Dividend income	864,282	874,545
	Dividends paid	3,587	15,244
	Purchase of goods and services	43,256	22,799
	Mark-up income on balances with related parties	64,299	45,315
	Insurance claims received	-	1,531
	Purchase of shares	147,500	-
iv. Key management personnel	Salaries and other employment benefits	125,650	126,083
	Dividend paid	23,951	101,366
v. Post employment benefit plans	Expense charged in respect of defined benefit plan	101,367	65,470
	Expense charged in respect of defined contribution plan	47,710	25,806



	December 31, 2019 Un-audited	June 30, 2019 audited
	(Rupees in thousand)	
<b>Period/year end balances</b>		
<b>Payable to related parties</b>		
Trade and other payables	356	245,582
<b>Receivable from related parties</b>		
Trade debts	20,146	13,657
Loan to related party	765,000	1,000,000
Long term deposits	300	300
Mark-up receivable from related party	9,580	10,838
	795,026	1,024,795
	July to December, 2019 Un-audited	July to December, 2018 Un-audited
	(Rupees in thousand)	

## 12. Cash generated from operations

(Loss)/profit before tax	(1,721,634)	1,589,838
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	1,843,086	1,712,632
- Loss/(gain) on disposal of operating fixed assets	31,810	(7,907)
- Net impairment losses on financial assets	50,200	-
- Dividend income	(987,988)	(1,020,385)
- Provision for retirement benefits	101,367	65,088
- Impairment of investment in equity instruments of subsidiary	-	162,789
- Mark-up income	(64,299)	(49,699)
- Exchange loss	20,858	83,849
- Finance cost	2,455,664	1,348,148
<b>Profit before working capital changes</b>	1,729,064	3,884,353
Effect on cash flow due to working capital changes:		
- Decrease/(increase) in stores, spare parts and loose tools	1,557,915	(1,059,801)
- Decrease/(increase) in stock-in-trade	1,122,544	(1,336,458)
- Increase in trade debts	(349,553)	(1,135,044)
- Decrease in loans, advances, deposits, prepayments and other receivables	796,467	850,797
- Increase in trade and other payables	1,151,318	186,738
	4,278,691	(2,493,768)
	6,007,755	1,390,585

<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Un-audited</b>	<b>Un-audited</b>
<b>(Rupees in thousand)</b>	

### 13. Cash and cash equivalents

Short term borrowings - secured	(18,857,801)	(14,389,357)
Cash and bank balances	443,060	580,836
	<u>(18,414,741)</u>	<u>(13,808,521)</u>

### 14. Financial risk management

#### 14.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2019.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2019.

#### 14.2 Fair value estimation

##### a) Fair value hierarchy

The different levels for fair value estimation used by the Company have been defined as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

- The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.

- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity instruments.

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed above. The following table presents the Company's financial assets measured and recognised at fair value at December 31, 2019 and June 30, 2019 on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at December 31, 2019		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investments - FVOCI	25,807,198	-	2,130,713	27,937,911

**As at June 30, 2019**
**Assets**

Investments - FVOCI	22,031,838	-	1,983,213	24,015,051
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The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between Level 1, 2 and 3 during the period. There were no changes in valuation techniques during the period.

The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2019.

**b) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis.

**c) Fair value measurements using significant unobservable inputs**

The main level 3 inputs used by the Company to determine fair value of investment in Nishat Hotels and Properties Limited ('NHPL') are derived and evaluated as follows.

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL.
- Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 14.82%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 8% per annum.

Investment in Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and its operations have not commenced as of the reporting date. It is classified as a Level 3 financial asset and is measured at fair value on the reporting date. However, due to volatility in the underlying assumptions relevant to the valuation, there is a wide range of possible fair value measurements and cost is considered to represent the best estimate of fair value within that range.

### **Sensitivity analysis**

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs 292.460 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs 136.366 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs 18.630 million lower.

### **15. Date of authorization for issue**

These unconsolidated condensed interim financial statements were authorized for issue on February 13, 2020 by the Board of Directors of the Company.

### **16. Corresponding figures**

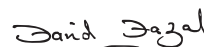
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the unconsolidated condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.



Chief Executive



Chief Financial Officer



Director

# Interim Consolidated Financial Statements

## Consolidated Condensed Interim Statement of Financial Position

	Note	31 December, 2019 Un-Audited (Rupees in thousand)	30 June, 2019 Audited
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
- 950,000,000 (June 30, 2019: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2019: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital			
438,119,118 (June 30, 2019: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		32,663,323	28,873,607
Un-appropriated profit		36,400,848	37,744,493
Attributable to owners of the parent company		<u>73,445,362</u>	<u>70,999,291</u>
Non-controlling interest		2,010,787	2,039,554
		<u>75,456,149</u>	<u>73,038,845</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	5	15,540,105	16,659,474
Long term deposits		260,741	242,043
Deferred liabilities		485,315	449,194
Deferred taxation		3,464,175	4,339,696
		<u>19,750,337</u>	<u>21,690,407</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		9,063,139	8,490,742
Accrued finance cost		915,089	890,864
Short term borrowing-secured		22,005,131	22,851,016
Loan from related party - unsecured		214,000	214,000
Current portion of non-current liabilities		5,627,956	5,256,067
Unclaimed dividend		34,385	33,438
Provision for taxation		35,090	35,090
		<u>37,894,790</u>	<u>37,771,217</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	<u>133,101,276</u>	<u>132,500,469</u>

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



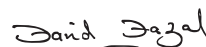
Chief Executive

## As At December 31, 2019 (Un-audited)

	Note	31 December, 2019 Un-Audited (Rupees in thousand)	30 June, 2019 Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	83,435,508	83,836,836
Biological assets		888,952	827,488
Investments	8	11,512,919	10,029,807
Long term loans to employees		237	237
Long term loans, advances and deposits		59,504	60,733
		<u>95,897,121</u>	<u>94,755,101</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		7,910,775	9,439,674
Stock-in-trade		4,243,669	5,486,062
Trade debts		1,727,558	1,678,379
Investments	8	16,598,709	14,129,099
Advances, deposits, prepayments and other receivables		802,514	1,583,335
Loan to related party	9	765,000	1,000,000
Contract assets		21,664	164,021
Income tax recoverable		4,153,260	3,481,548
Cash and bank balances		981,007	783,250
		<u>37,204,155</u>	<u>37,745,368</u>
		<u>133,101,276</u>	<u>132,500,469</u>



Chief Financial Officer



Director

## Consolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Six Months Period ended December 31, 2019 (Un-audited)

	2019		2018	
	July to	October to	July to	October to
	December	December	December	December
Note	(Rupees in thousand)		(Rupees in thousand)	
<b>Sales</b>	22,623,283	12,857,519	21,496,338	12,707,604
Cost of sales	(21,495,346)	(11,240,338)	(18,143,954)	(10,434,098)
<b>Gross profit</b>	1,127,936	1,617,181	3,352,384	2,273,506
Administrative expenses	(396,666)	(226,785)	(349,162)	(161,964)
Selling and distribution expenses	(1,011,197)	(524,890)	(660,967)	(477,048)
Net impairment losses on financial assets	(50,200)	(50,200)	-	-
Other expenses	(124,944)	(85,785)	(533,905)	(450,284)
Other income	1,376,545	700,244	1,201,583	699,339
Finance cost	(2,711,293)	(1,333,185)	(1,449,637)	(798,784)
<b>Loss / profit before taxation</b>	(1,789,819)	96,580	1,560,296	1,084,765
Taxation	843,781	404,164	111,584	245,559
<b>Loss / profit for the period</b>	(946,038)	500,744	1,671,880	1,330,324
<b>Attributable to :</b>				
Equity holders of the parent	(905,526)	532,893	1,703,157	1,327,389
Non-controlling interest	(40,512)	(32,149)	(31,277)	2,935
	(946,038)	500,744	1,671,880	1,330,324
<b>Earnings per share</b>				
<b>(basic and diluted - in Rupees)</b>	(2.16)	1.14	3.82	3.04


The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director



## Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Six Months Period ended December 31, 2019 (Un-audited)

	2019		2018	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
<b>(Loss) / Profit for the year</b>	(946,038)	500,744	1,671,880	1,330,324
<b>Other comprehensive income / (loss) for the period</b>				
<i>Items that may be re-classified subsequently to profit or loss:</i>				
Change in fair value of available-for-sale investments	-	-	(2,531,918)	(2,793,767)
	-	-	(2,531,918)	(2,793,767)
<i>Items that will not be subsequently re-classified to profit or loss:</i>				
Change in fair value of investments at fair value through other comprehensive income (OCI)	3,801,461	4,804,821	-	-
	3,801,461	4,804,821	-	-
<b>Other comprehensive income / (loss) for the period</b>	3,801,461	4,804,821	(2,531,918)	(2,793,767)
<b>Total comprehensive income for the period</b>	<b>2,855,423</b>	<b>5,305,565</b>	<b>(860,038)</b>	<b>(1,463,443)</b>
<b>Attributable to</b>				
Equity holders of parent	2,884,190	5,324,769	(829,870)	(1,467,487)
Non-controlling interest	(28,767)	(19,204)	(30,168)	4,044
	<b>2,855,423</b>	<b>5,305,565</b>	<b>(860,038)</b>	<b>(1,463,443)</b>

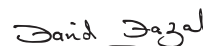
The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

# Consolidated Condensed Interim Statement of Changes In Equity


## For the Six-Month Period ended December 31, 2019 (Un-audited)

	(Rupees in thousands)									
	Capital reserve					Revenue reserve				
	Share capital	Share premium	Fair value reserve	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated profits	Total equity attributable to shareholders of parent company	Non-controlling interest	Total equity
Restated balance as on July 1, 2018	4,381,191	4,557,163	-	24,700,828	353,510	5,110,851	37,855,893	76,959,436	2,006,284	78,965,720
Total comprehensive income for the period										
- Profit for the period	-	-	-	-	-	-	1,703,157	1,703,157	(31,277)	1,671,880
- Other comprehensive loss for the period	-	-	-	(2,533,027)	-	-	-	(2,533,027)	1,109	(2,531,918)
Transactions with owners in their capacity as owners recognised directly in equity										
- Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)	-	-	-	(2,533,027)	-	-	1,703,157	(829,870)	(30,168)	(860,038)
Balance as at December 31, 2018 - Unaudited	4,381,191	4,557,163	-	22,167,801	353,510	5,110,851	37,697,037	74,267,553	1,976,116	76,243,669
Balance as at June 30, 2019 - Audited	4,381,191	4,557,163	-	18,852,083	353,510	5,110,851	37,744,493	70,999,291	2,039,554	73,038,845
Total comprehensive income for the period										
- Profit for the period	-	-	-	-	-	-	(905,526)	(905,526)	(40,512)	(946,038)
- Other comprehensive income for the period	-	-	-	3,789,716	-	-	-	3,789,716	11,745	3,801,461
Transactions with owners in their capacity as owners recognised directly in equity										
- Final dividend for the year ended June 30, 2019 (Rs 1.00 per share)	-	-	-	3,789,716	-	-	(905,526)	2,884,190	(28,767)	2,855,423
Balance as at December 31, 2019 - Unaudited	4,381,191	4,557,163	-	22,641,799	353,510	5,110,851	36,400,848	73,445,362	2,010,787	75,456,149

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

  
Chief Executive

  
Chief Financial Officer

  
Director

## Consolidated Condensed Interim Statement of Cash Flows

For the Six-Month Period ended December 31, 2019 (Un-audited)

		2019 July to December	2018 July to December
	Note	(Rupees in thousand)	
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	6,186,772	899,797
Finance cost paid		(2,687,068)	(1,227,294)
Retirement and other benefits paid		(65,246)	(34,820)
Income tax paid		(812,611)	(835,796)
Long term deposits - net		18,698	77,035
<b>Net cash (outflow) / inflow from operating activities</b>		<b>2,640,546</b>	<b>(1,121,078)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,662,624)	(2,785,969)
Proceeds from disposal of property, plant and equipment		72,749	25,927
Long term loans, advances and deposits - net		1,229	(1,566)
Recovery of loan to related party		235,000	-
Proceeds from sale of biological assets		32,317	(18,082)
Investment in equity instruments		(151,252)	(155,003)
Interest received		65,601	45,688
Dividend received		994,728	1,025,848
<b>Net cash outflow from investing activities</b>		<b>(412,252)</b>	<b>(1,863,157)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(2,247,480)	(725,333)
Dividend paid		(437,172)	(1,851,220)
Proceeds from long term finances		1,500,000	2,950,000
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(1,184,652)</b>	<b>373,447</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,043,641</b>	<b>(2,610,788)</b>
Cash and cash equivalents at the beginning of the year		(22,067,766)	(13,213,279)
<b>Cash and cash equivalents at the end of period</b>	12	<b>(21,024,125)</b>	<b>(15,824,067)</b>

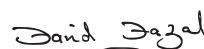
The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

## Notes to and Forming Part of the Condensed Interim Consolidated Financial For the Six-Month Period ended December 31, 2019 (Un-audited)

### 1. Legal Status and nature of business

The group comprises of:

- D. G. Khan Cement Company Limited (the parent company);
- Nishat Paper Products Company Limited;
- Nishat Dairy (Private) Limited; and

The parent company is a public limited company incorporated in Pakistan and is listed on Pakistan Stock Exchange. It is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore. The Company is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. It has four cement plants, two plants located at Dera Ghazi Khan ('D.G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub')

Nishat Paper Products Company Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on July 23, 2004. It is principally engaged in the manufacture and sale of paper products and packaging material (herein referred to as the 'Paper segment'). Its manufacturing facility is located at Khairpur on the parent company's land.

Nishat Dairy (private) Limited (the company) was incorporated in Pakistan under the Companies Ordinance 1984 on October 28, 2011. The principally activity of the company is to carry on the business of production and sale of raw milk (herein referred to as the Dairy segment) Its production facility and factory is situate at 1-KM Sukheki Road, Pindi Bhattian.

The registered office of the Group is situated at 53-A, Lawrence Road, Lahore. The parent company's holding in its subsidiaries is as follows:

	Effective percentage of holding
- Nishat Paper Products Company Limited	55.00%
- Nishat Dairy (Private) Limited	55.10%

### 2. Basis of preparation

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 These consolidated condensed interim financial statements are un-audited and are being submitted to the members as required by section 237 of the Companies Act, 2017 (the 'Act').

These consolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2019. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the

Group's financial position and performance since the last annual financial statements.

### 3. Significant accounting policies

**3.1** The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2019 except for the adoption of new and amended standards as set out below:

#### **3.2 Standards, amendments and interpretations to International Financial Reporting Standards (IFRS) that are effective in the current period**

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting periods beginning on July 1, 2019, but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated condensed interim financial statements.

#### **3.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after July 01, 2020 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

### 4. Accounting estimates

The preparation of these consolidated 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 expenses. Actual results may differ from these estimates.

In preparing these consolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Group for the year ended June 30, 2019, with the exception of change in estimate that is required in determining the provision for income taxes as referred to below:

Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

### 5. Long term finances

These are composed of:

Long term loans	- note 5.1	21,127,844	21,875,324
Less: Current portion shown under current liabilities		5,587,739	5,215,850
		<u>15,540,105</u>	<u>16,659,474</u>

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

**5.1** The reconciliation of the carrying amount is as follows:

Opening balance	21,875,324	20,667,971
Add: Disbursements during the period	1,500,000	3,850,000
	23,375,324	24,517,971
Less: Repayments during the period	(2,247,480)	(2,642,647)
Closing balance	21,127,844	21,875,324

**6. Contingencies and commitments**

**6.1 Contingencies**

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2019 except for the matter disclosed in annual financial statements, which is mentioned below:

- (i) A guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, has been enhanced to Rs 840.914 million (June 30, 2019: Rs 550 million).
- (ii) A guarantee to Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs. 101.021 million (June 30, 2019: Rs 82.9930 million).

**6.2 Commitments in respect of:**

- (i) Contracts for capital expenditure Rs 1,294.325 million (June 30, 2019: Rs 1,600.703 million).
- (ii) Letters of credit for capital expenditure Rs 5,053.228 million (June 30, 2019: Rs 935.353 million).
- (iii) Letters of credit other than capital expenditure Rs 3,263.597 million (June 30, 2019: Rs 1,436.660 million).

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

**7. Property, plant and equipment**

Operating Assets	-note 7.1	79,130,413	80,783,631
Capital work-in-progress		4,095,435	3,010,897
Major spare parts and stand-by equipment		209,660	42,308
		83,435,508	83,836,836

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

## 7.1 Operating assets

Opening book value	80,783,631	77,509,420
Add: Additions during the period/ year	410,733	7,091,672
	81,194,364	84,601,092
Less: Disposals during the period/ year - net book value	104,127	46,024
Depreciation charged during the period/ year	1,959,825	3,771,437
Closing book value	79,130,413	80,783,631

### 7.1.1 Major additions during the period

Free hold land	16,690	53,929
Leasehold land	-	200,000
Building on freehold land	445	1,423,308
Office building and housing colony	2,531	553,029
Roads	-	838,514
Plant and machinery	117,883	3,095,997
Quarry equipment	111,311	315,958
Furniture, fixtures and office equipment	96,178	196,836
Motor vehicles	64,344	270,952
Power and water supply lines	1,350	143,149
	410,733	7,091,672

## 8. Investments

This includes Level 3 investments in Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited that are related parties on the basis of common directorship. The reconciliation of carrying amount of these investments is as follows:

<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

Carrying value of investments at the beginning of the period/year	1,983,213	3,392,170
Investments made during the period/year	147,500	441,667
Fair value gain/(loss) recognized in other comprehensive income	-	(1,850,624)
Carrying value at the end of the period/year	2,130,713	1,983,213

**9. Loan to related party**

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount is due for repayment on October 27, 2019 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2019. It carried markup at the rate of 1 month Karachi Inter Bank Offered Rate (KIBOR) + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. The reconciliation of carrying amount is as follows:

	<b>December 31, 2019</b>	<b>June 30, 2019</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
Opening balance	1,000,000	1,000,000
Less: Receipts during the period/year	(235,000)	-
Closing balance	<u>765,000</u>	<u>1,000,000</u>

**10. Transactions with related parties**

The related parties comprise associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. Significant transactions with related parties are as follows:

		<b>July to December Un-audited</b>	
		<b>(Rupees in thousand)</b>	
<b>Relationship with the Group</b>	<b>Nature of transaction</b>		
<b>Investor &amp; other related entities</b>	Purchase of goods and services	78,428	54,866
	Purchase of Shares	147,500	-
	Insurance premium	92,853	95,735
	Dividend paid	141,161	498,366
	Sale of goods	50,366	107,705
	Mark-up income	64,299	45,315
	Insurance claim received	-	1,531
	Dividend income	992,180	1,018,420
Key Management personnel	Salaries and other employment benefits	125,650	126,083
	Dividend paid	23,951	101,366
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	160,854	101,327

All transactions with related parties have been carried out on commercial terms and conditions.



<b>December 31, 2019</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

## 11. Cash flow from operating activities

Profit before tax	(1,789,819)	1,560,296
Adjustment for :		
- Depreciation on property, plant and equipment	1,959,825	1,847,890
- Profit on disposal of property, plant and equipment	31,378	(5,056)
- Loss on disposal of biological assets	59,585	55,190
-Net impairment loss on financial assets	50,200	-
- Gain on changes in fair value biological asset	(153,367)	-
- Gain on change in fair value of investments	(9)	-
- Dividend income	(994,728)	(1,026,741)
- Retirement and other benefits accrued	101,367	65,088
- Markup income	(65,601)	(49,699)
- Exchange (gain) / loss - net	20,857	120,690
- Finance cost	2,711,293	1,449,637
<b>Profit before working capital changes</b>	<b>1,930,982</b>	<b>4,017,295</b>
- Stores, spares and loose tools	1,528,899	(1,101,597)
- Stock-in-trade	1,242,393	(2,090,902)
- Impairment recorded during the period	-	162,000
- Trade debts	22,121	(1,341,544)
- Advances, deposits, prepayments and other receivables	780,821	745,586
- Trade and other payables	681,556	508,959
<b>Net working capital changes</b>	<b>4,255,791</b>	<b>(3,117,498)</b>
<b>Cash (used in)/ generated from operations</b>	<b>6,186,772</b>	<b>899,797</b>

## 12. Cash and cash equivalents

Short term borrowings - secured	(22,005,131)	(16,960,610)
Cash and bank balances	981,007	784,758
Total cash and cash equivalents	<u>(21,024,125)</u>	<u>(16,175,852)</u>

## 13. Financial risk management

### 13.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The consolidated condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at June 30, 2019.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2019.

**13.2 Fair value estimation**
**a) Fair value hierarchy**

The different levels for fair value estimation used by the Group have been defined as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.
- The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity instruments.

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed above. The following table presents the Group's financial assets measured and recognised at fair value at December 31, 2019 and June 30, 2019 on a recurring basis:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>(Rupees in thousand)</b>			
<b>As at December 31, 2019</b>				
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Investments - FVOCI	25,980,913	-	2,130,713	28,111,626
<b>As at June 30, 2019</b>				
<b>Assets</b>				
Investments - FVOCI	22,030,838	-	1,983,213	24,015,051

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between Level 1, 2 and 3 during the period. There were no changes in valuation techniques during the period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2019.

**b) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis.

**c) Fair value measurements using significant unobservable inputs**

The main level 3 inputs used by the Group to determine fair value of investment in Nishat Hotels and Properties Limited ('NHPL') are derived and evaluated as follows.

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL.
- Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 14.82%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 8% per annum.

Investment in Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and its operations have not commenced as of the reporting date. It is classified as a Level 3 financial asset and is measured at fair value on the reporting date. However, due to volatility in the underlying assumptions relevant to the valuation, there is a wide range of possible fair value measurements and cost is considered to represent the best estimate of fair value within that range.

**Sensitivity analysis**

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs 292.460 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs 136.366 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2019 would be Rs 18.630 million lower.

**14. Operating segments**

Segment information is presented in respect of the group's business. The primary format, business segment, is based on the group's management reporting structure.

The group's operations comprise of the following main business segment types:

**Type of segments    Nature of business**

Cement	Production and sale of clinker, Ordinary Portland and Sulphate Resistant Cements.
Paper	Manufacture and supply of paper products and packing material.
Dairy	Production and sale of raw milk.

**14.1 Segment analysis and reconciliation - condensed**

The information by operating segment is based on internal reporting to the Group executive committee, identified as the 'Chief Operating Decision Maker' as defined by IFRS 8. This information is prepared under the IFRS's applicable to the consolidated financial statements. All group financial data are assigned to the operating segments.

July 1 to December 31

Rupees in thousands

	Cement		Paper		Dairy/Farm		Elimination - net		Consolidated	
	July to December 2019 un-audited	July to December 2018 un-audited	July to December 2019 un-audited	July to December 2018 un-audited	July to December 2019 un-audited	July to December 2018 un-audited	July to December 2019 un-audited	July to December 2018 un-audited	July to December 2019 un-audited	July to December 2018 un-audited
Revenue from										
- External Customers	20,888,150	19,767,101	930,064	1,035,971	805,069	693,269	-	(3)	22,623,283	21,496,338
- Inter-group	108	104	1,309,201	956,689	-	-	(1,309,309)	(654,200)	-	-
	20,888,257	19,767,205	2,239,265	1,992,660	805,069	693,269	(1,309,309)	(654,203)	22,623,283	21,496,338
Segment gross profit/(loss)	1,021,486	3,184,784	295,478	300,819	(163,667)	(118,877)	(25,361)	(14,342)	1,127,936	3,352,384
Segment expenses	(1,472,402)	(1,391,430)	(11,382)	(61,597)	(99,223)	(91,008)	-	1	(1,583,007)	(1,544,034)
Other income	1,184,946	1,144,631	31,772	8,443	160,291	4,895	(464)	43,614	1,376,545	1,201,583
Financial charges	(2,455,664)	(1,348,148)	(249,331)	(98,922)	(6,298)	(2,567)	-	-	(2,711,293)	(1,449,637)
Taxation	874,576	151,951	(18,613)	(35,131)	(12,182)	(5,236)	-	-	843,781	111,584
Profit after taxation	(847,058)	1,741,788	47,924	113,612	(121,079)	(212,793)	(25,826)	29,273	(946,038)	1,671,880
Depreciation	1,843,086	1,712,632	30,074	30,101	81,627	90,352	5,038	14,805	1,959,825	1,847,890
Capital expenditure	(1,648,939)	(2,764,272)	(578)	(499)	(13,106)	(21,198)	(1)	-	(1,662,624)	(2,785,969)
Net cash (outflow) / inflow from operating activities	2,831,936	(292,361)	(301,608)	(723,141)	15,994	(75,974)	94,224	(29,602)	2,640,546	(1,121,078)
Net cash outflow from investing activities	(434,702)	(1,829,232)	2,454	853	19,998	9,991	(2)	(44,769)	(412,252)	(1,863,157)
	31,12,2019 un-audited	30,06,2019 audited	31,12,2019 un-audited	30,06,2019 audited	31,12,2019 un-audited	30,06,2019 audited	31,12,2019 un-audited	30,06,2019 audited	31,12,2019 un-audited	30,06,2019 audited
Rupees in thousands										
Segment assets	126,753,715	125,941,425	5,904,527	5,466,160	3,206,612	3,242,803	(2,763,578)	(2,149,919)	133,101,276	132,500,469
Segment liabilities	53,335,115	55,011,605	4,426,801	4,062,459	651,161	566,273	(767,951)	(178,713)	57,645,127	59,461,624

## 14.2 Geographical segments

All segments of the group are managed on nation-wide basis and operate manufacturing facilities and sales offices in Pakistan only.

## 15. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on February 13, 2020.

## 16. Corresponding figures

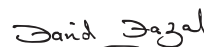
In order to comply with the requirements of the International Accounting Standard 34: 'Interim Financial Reporting', the condensed interim consolidated balance sheet and condensed interim consolidated statement of changes in equity have been compared with the balances of annual audited financial statements of preceding year, whereas, the condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income and condensed interim consolidated cash flow statement have been compared with the balances of comparable period of immediately preceding year.



Chief Executive



Chief Financial Officer



Director

## Notes

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