

ANNUAL REPORT 2020



THATTA CEMENT
COMPANY LIMITED



THATTA CEMENT
C O M P A N Y L I M I T E D

CONTENTS

Vision & Mission	2
Company Information	3
Review Report By The Chairman	4
Directors' Report	5
Combined Pattern of CDC and Physical Shareholdings	21
Pattern of Shareholdings - CDC and Physical	22
Key Operating and Financial Statistics of Six Years	24
Notice of Annual General Meeting	25
Statement of Compliance with Listed Companies [Code of Corporate Governance] Regulations, 2019	32
Unconsolidated Financial Statements	34
Consolidated Financial Statements	88
Form of Proxy	149

Vision

To transform the Company into a modern and dynamic cement manufacturing unit fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

Mission

To provide quality products to customers at competitive prices; and
To generate sufficient profit to add to the shareholder's value.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Khawaja Muhammad Salman Younis
Mr. Muhammad Aslam Shaikh
Ms. Naheed Memon
Mr. Saleem Zamindar
Mr. Noor Muhammad
Mr. Agha Sher Shah
Mr. Muhammad Jamshid Malik

Chairman
Chief Executive
Director
Director
Director
Director
Director

AUDIT COMMITTEE

Mr. Saleem Zamindar
Mr. Khawaja Muhammad Salman Younis
Mr. Noor Muhammad

Chairman
Member
Member

HR & REMUNERATION COMMITTEE

Mr. Agha Sher Shah
Ms. Naheed Memon
Mr. Muhammad Aslam Shaikh

Chairman
Member
Member

IT STEERING COMMITTEE

Mr. Khawaja Muhammad Salman Younis
Mr. Muhammad Aslam Shaikh
Mr. Fuad Zakaria Bhuri

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

Mr. Fuad Zakaria Bhuri

REGISTERED OFFICE

Office No. 606-608A, Continental Trade
Center, Block 8, Clifton, Karachi.
UAN: 0092-21-111-842-882
Fax no.: 0092-21-35303074-75
Website: www.thattacement.com
E-mail: info@thattacement.com

COMPANY SECRETARY

Mr. Muhammad Abid Khan

STATUTORY AUDITOR

M/s Grant Thornton Anjum Rahman, Chartered Accountants

FACTORY

Ghulamullah Road, Makli,
District Thatta, Sindh 73160

CORPORATE ADVISOR

M/s Sharjeel Ayub & Co., Chartered Accountants

SHARE REGISTRAR

THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi-75400
UAN: 021-111-000-322
Fax: 021-34168271
Website: www.thk.com.pk

LEGAL ADVISOR

M/s Usmani & Iqbal

BANKERS - CONVENTIONAL

National Bank of Pakistan
Sindh Bank Limited
Summit Bank Limited

REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE

It gives me great pleasure to place before you the Annual Report of Thatta Cement Company Limited for the year ended June 30, 2020.

Overall Business Performance

During the year under review, Gross Profit Margin of the Company has decreased from 19.37% to just 2.97% on year to year basis. The Company suffered a loss after tax of Rs. 158.02 Million as compared to profit of Rs. 213.52 Million last year. The key factors for this significant decline in profit were reduction in retention price, low demand, increasing input costs, higher interest rates and currency devaluation.

The results of the Company's operations are dealt with in further detail in the annexed Directors' Report and Financial Statements.

Overall Board Performance

The company complies with the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the Composition, procedures and meetings of Board of Directors and its committees. Code of Corporate Governance requires an annual evaluation of Board of Directors and its committees. The purpose of this evaluation is to bring improvement in the overall governance of the Company, efficiencies in Board process, enhancement of role of individual directors and sound support of Board Committees facilitating in discharging its responsibilities to achieve the objectives set for the Company.

The Board has approved a formal process for its performance evaluation and adopted self-evaluation mechanism based on comprehensive questionnaire. The obligation to undertake annual evaluation process is assigned to the Human Resource Committee of the Board. Accordingly, the performance evaluation of the Board, its members and Committees of the Board for the year ended June 30, 2020 was conducted as per mechanism approved by the Board and I report that:

The overall performance of the Board, Members and Committees of the Board on the basis of approved criteria for the year was satisfactory.

The overall assessment as satisfactory is based on an evaluation of the following integral components, which have a direct bearing on Board's role in achievement of company's objectives.

- Composition of the Board and meeting procedures.
- Vision and strategic direction
- Monitoring of Company's performance
- Overall roles and responsibilities
- Relationship among the Board and Management
- Composition and performance of Board Committees.

In the end, I would like to commend my fellow directors for their commitment and the contribution they make to our strategic deliberations. On behalf of the Board, I would also like to thank every one of our stakeholders for their valuable contribution for the success of the Company.



Khawaja Muhammad Salman Younis
Chairman
September 30, 2020

DIRECTORS' REPORT

The Directors of your Company are pleased to present herewith their report and the audited financial statements together with auditors' report for the year ended June 30, 2020.

OVERVIEW

Production and dispatches for the year ended on June 30, 2020 are as follows:

Description	2020	2019	Variance	
	----- Metric Tons -----			
				%
Production				
Clinker	258,158	470,245	(212,087)	(45.1)
Cement	197,463	366,649	(169,186)	(46.14)
GGBFS	-	260	(260)	(100)
Dispatches				
Cement	196,251	368,057	(171,806)	(46.68)
Clinker	83,237	188,890	(105,653)	(55.93)
GGBFS	-	260	(260)	(100)
Total	279,488	557,207	(277,719)	(49.84)

The clinker production of your Company during the year under review was 258,158 tons resulting in capacity utilization of 47.07% in comparison with the clinker production of 470,245 tons implying capacity utilization of 85.75% during the corresponding year.

Industry Review

During the year 2019-2020, domestic cement dispatches registered a decline of 1% from 40.3 million tons to 40.0 million tons for the year under review. Exports dispatches registered an increase of 20% from 6.54 million tons to 7.85 million tons during the year. However, export performance were somehow reassuring during the current financial year which improved overall industry volumes by 2% to 47.81 million tons for the financial year ended June 30, 2020 as compared to 46.88 million tons last year.

In the Southern region, local dispatches exhibited a decline of 29.37% in volumetric terms from 7.98 million tons to 5.64 million tons whereas export dispatches registered an increase of 46.47% from 4.01 million tons to 5.88 million tons as compared to the corresponding year.

Due to tax reforms announced by government, imposition of axle load policy and stringent policies and procedures regarding Know Your Customer adversely affected the economy and resulted in slow down of construction activities in the Country. This has in-turn resulted in reduced demand of cement hence affected the sales and profitability of entire sector.

Moreover, since the outbreak of Pandemic Coronavirus (COVID-19) there was lock down situation at both local and global levels, especially in the fourth quarter of the year, which adversely affected the performance of local and global markets. Such conditions brought most of the national infrastructure investment projects to a standstill, disrupted the normal pace of economic operations and affected all the sectors of the economy, including cement industry, which resulted in significant decline in sales of entire cement sector.

Sales Review

During the financial year under review, overall company's sales declined by 49.84% in volumetric terms as compared to last year. Where, the export sales declined by 70.36% and local sales declined by 41.81%. The main factor was stiff price competition due to availability of excess capacities that negatively impacted on the sales volumes of the Company.

Financial Review

A comparison of key financial results of your Company's performance for the year ended June 30, 2020 with last year is as under:

Particulars	2020	2019
	----- Rupees in thousands -----	
Sales – net	1,755,227	3,468,411
Gross profit	52,100	671,967
Selling & Distribution Cost	89,760	220,258
Finance Cost	44,153	50,620
(Loss)/Profit before taxation	(140,934)	295,318
(Loss)/Profit for the year	(158,018)	213,522
(Loss)/Earnings per share (Rupees)	(1.58)	2.14

Cost of sales to sales ratio has increased to 97.03% during the year as compared to 81% in the corresponding year. Increase is mainly attributable to fixed cost charged as period cost in accordance with International Financial Reporting Standards, due to lower production of clinker in relation to Installed capacity during the year particularly in the fourth quarter due to lock-down situation. Moreover, there is rising trend in prices of packing material, transportation charges and other input cost along with the impact of devaluation of Pak rupee against US\$. Consequently gross margins are reduced significantly from 19.37% to 2.97% as compared with last year.

Distribution cost during the year decreased to Rs. 89.8 million as compared to Rs. 220.25 million last year. The main reason for this decrease is due to decline in export sales revenue by 71.86%.

Loss for the year and future prospects

During the financial year 2019-20, the Company suffered loss after tax of Rs 158 million (2019: profit after tax of Rs. 213.5 million). This resulted in loss per share of Rs 1.58 (June 30, 2019: earnings per share of Rs 2.14). The factors that contributed in loss include low demand of cement, massive devaluation of Pak Rupee, rise in interest rates, decline in cement prices, substantial increase in Federal Excise Duty and higher input costs coupled with lock-down situation on top of prevailing economic depression in the country. All these factors were beyond control of the Company's management. Despite all these unfavorable factors, the Company managed to timely comply with all the financial commitments during the year.

The economic relief measures put in place by the Government to mitigate the effects of COVID-19 including various incentives for the construction industry will be successful. This, coupled with government's particular focus on infrastructure development and housing, will result in higher domestic cement consumption in the year 2020-2021. Higher cement demand should result in much needed stability in cement prices and therefore, higher revenues.

Dividend

As the Company has incurred a loss after tax for year ended June 30, 2020, the Directors have decided not to make any dividend appropriation for the year

Impact of Company's business on the environment

The major impact of cement manufacturing business on environment is related to particulate matter and fugitive dust emissions of both inhalable and respirable micron sizes emitted from processes adopted for clinker production that cause a chronic fatal disease i.e. Silicosis.

The Company has a dedicated and qualified staff to meet the statutory and regulatory compliances of SEPA and SEQs standards. Being proactive on the impact of company's business on the environment, the Company has installed de-dusting equipment such as dust cyclones, bag houses, dust suppression by damping down method, electrostatic precipitators, personal protective equipment and speed limit controls in Company's premises to overcome RSPM (respirable suspended particulate matter) and FRD (fugitive road dust).

Moreover, Environmental Quality Standards for ambient Air, Drinking Water, Noise and all other parameters are complied as required by SEPA Act 2014. Monitoring and Analysis procedures are also implemented through SEPA Certified Environmental Laboratory.

The Subsidiary Company of TCCL installed Waste Heat Recovery System (WHRS) to ensure the active contribution in minimizing Global Warming Impacts and to reduce the Carbon Emissions resulting from cement production and power generation.

In addition to above, Covid-19 pandemic is a global health crisis and the greatest challenge in recent times. The Company adopted the best practices and guidelines given by global health institutions and the Government of Pakistan to ensure safe operations.

Following were the major initiatives taken in this regard;

- Business Continuity Plan (BCP) related to Covid-19 is in place.
- Implementation of SOPs issued by Government of Sindh.
- Employees were encouraged to work from home.
- Telecom / virtual meetings both at plant and Head office are being encouraged.

Corporate Social Responsibility

Being a responsible corporate citizen, the Company always strives to discharge its social responsibilities towards the society. The Company promotes and facilitates welfare of the local communities in the town where the Company operates. During the year, the Company has arranged various safety and health awareness sessions. Further, a well equipped Silicosis Diagnostic & health screening center with a suitably qualified staff has been established.

Adequacy of internal financial controls

All the necessary steps are being taken by the Directors to ensure the effectiveness of the Company's internal financial control systems up to and including the date of approval of the financial statements. This had regard to all material controls, including financial, operational and compliance controls that could affect the Company's business.

Related Party Transactions

All related party transactions entered into were reviewed and approved by the Audit Committee as well as the Board of Directors of the Company in compliance with the PSX Regulations of the Pakistan Stock Exchange Limited. Moreover, In terms of the requirement of section 208 of Companies Act, 2017[Act], following matters are included herein.

a. Renewal of Loan / Advance facility aggregating to Rs 300 million for Thatta Power (Private) Limited, Subsidiary Company[SC]

Thatta Cement Company Limited (TCCL) had sought approval from its shareholders in Annual General Meeting [AGM] held on October 16, 2015, to provide advance/loan facility to SC to honor its financial obligations and to meet its working capital requirements. Thereafter, approval for annual renewal of aforesaid facility is being sought for a period of one year in each AGM(s). The approval of said advance/loan facility is valid upto the holding of AGM of the Company to be held on October 26, 2020.

However, increasing trade debts of the Subsidiary Company as of June 30, 2020 which mainly represents receivable from HESCO indicates that there is a delay in payment of electricity bills by HESCO; hence SC may require financial support to honor its financial obligations and to meet its working capital requirements. This in turn enables SC to provide uninterrupted supply of electricity to TCCL for sustainable cement production. Therefore, it is proposed to seek renewal for advance/loan facility to SC to ensure availability of sufficient working capital to meet its financial obligations. Accordingly, a Statement of fact under section 134(3) of the Act is annexed to the annual report setting out all material facts along with justification concerning the aforesaid matter.

b. Waste Heat Utilization Agreement [WHUA] with Thatta Power (Private) Limited, Subsidiary Company[SC]

Waste Heat Recovery Project [WHRP] of Subsidiary Company for generating 5 MW electricity has started its commercial operations during the year. TCCL will provide waste heat released from Air Quenching Chamber & Suspension Pre-heater to the Subsidiary Company to produce super heated steam. For that purpose, TCCL executed a WHUA to provide waste heat to the SC.

c. Service Level Agreement with Thatta Power (Private) Limited, Subsidiary Company[SC]

TCCL is providing business support services to its SC to facilitate their day to day operations. For that purpose, a service level agreement is in place which specifies scope of services and related terms and conditions. The said agreement was approved by the respective Board of Directors of TCCL and SC.

d. Power Purchase Agreement with Thatta Power (Private) Limited, Subsidiary Company [SC] for supply of electricity to TCCL.

TCCL has entered into a Power Purchase Agreement [PPA] on December 12, 2011 with SC for supplying of electricity. SC started its commercial operation effective from December 12, 2012. The pricing mechanism for invoicing/billing against supply of electricity along with terms and conditions are mentioned in the said PPA. The PPA was executed in accordance with the New Captive Power Policy, 2009.

Corporate and Financial Reporting

- a. The financial statements, prepared by the management of Thatta Cement Company Limited present fairly its state of affairs, the results of its operations, cash flows and changes in equity. All necessary steps are being taken to ensure good Corporate Governance.
- b. Proper books of account have been maintained by the Company.
- c. The financial statements together with notes thereto have been drawn in conformity with the Companies Act, 2017. International Financial Reporting Standards and International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and there has been no material departure therefrom.
- d. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- e. The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- f. The Company is a going concern and there is no doubt at all about the Company's ability to continue as a going concern.
- g. There is nothing outstanding against the Company on account of taxes, duties, levies, and other charges except for those which are being made in the normal course of business and disclosed in the financial statements.
- h. The Company maintains Provident and Gratuity Fund for its permanent employees. Stated below are the amount charged by the Company in profit and loss:
- | | | | |
|----|----------------|-----|----------------|
| a. | Provident Fund | Rs. | 9.507 million |
| b. | Gratuity Fund | Rs. | 17.262 million |
- i. The value of investments as per audited accounts of retirement benefit plans of Thatta Cement Company Limited as at June 30, 2020 are as follows:
- | | | | |
|----|----------------|-----|---------------|
| a. | Provident Fund | Rs. | 85.80 million |
| b. | Gratuity Fund | Rs. | 55.38 million |
- j. Key operating and financial statistics for the last six years have been given separately.
- k. Detail statement of number of Board, Audit Committee and Human Resources & Remuneration Committee meetings held during the year and attendance by each director/member is annexed to this report separately as Annexure I as required under 227(2)(a) of the Companies Act, 2017.
- l. Pattern of Shareholding of the Company in accordance with section 227(2)(f) of the Companies Act, 2017 is annexed to this report.

Changes in Board of Directors

During the year, following changes on the board due to casual vacancies were reported on Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan.

Name of outgoing director with date of resignation	Name of incoming director with date of appointment
Shahid Aziz Siddiqui [Due to sad demise] w.e.f November 08, 2019	Muhammad Aslam Shaikh w.e.f February 04, 2020
Muhammad Taha Hamdani w.e.f December 23, 2019	Muhammad Jamshid Malik w.e.f February 24, 2020

Code of Corporate Governance

- a. The 'Statement of Compliance with the Code of Corporate Governance' is annexed to this report.
- b. Mentioned below is the Composition of Board of Directors to be included in Annual Report under section 227 of the Companies Act, 2017:

Description	Number of directors
-------------	---------------------

a) Male	6
b) Female	1

Composition

I. Independent Directors	4
II. Non-Executive	2
III. Executive Director	1
IV. Female Director	1

(c) The details of Board Sub-Committees is given on page 03 of annual report.

Remuneration of Directors

The remuneration of Directors is governed by the Articles of Association of the Company which requires that the remuneration of a Director to be paid to every Director for attending the Meeting of the Directors or a committee of directors shall from time to time be determined by the Board of Directors taking into account the competencies and efforts in the light of scope of their responsibilities.

The details of the remuneration paid to the executive director (chief executive) of the Company is disclosed in Note 39 of the Standalone financial statements.

Board Evaluation

As required under the Listed Companies Code of Corporate Governance Regulations 2019, an annual evaluation of performance of the Board, members of the Board and its Committees was carried out to ensure that Board's overall performance and effectiveness is measured against the objectives set for the company. For that purpose, Board has developed a mechanism for evaluation of Board's own performance, members of the Board and its Committees. Based on the evaluation, overall performance of the Board, members and Committees of the Board for the year under review is satisfactory.

Subsequent Events

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of Director's Report.

Default in Payments

There were no defaults in payment of any debts falling due during the current year.

External Auditors

The Board of Directors, upon the recommendation of Audit Committee of the Company keeping in view the best practices for rotation of auditors as per Regulation 33(2) of Code of Corporate Governance Regulations 2019, has proposed the appointment of M/s. BDO Ebrahim & Co. Chartered Accountants as external auditors for the year ending June 30, 2021.

The appointment of existing auditors M/s Grant Thornton Anjum Rahman & Co, Chartered Accountants was approved by Shareholders of the Company during Annual General Meeting of the Company held on October 16, 2015.

Future Outlook

As the active Covid-19 cases have reduced significantly in the country and all the restriction imposed by the Government are now lifted. As the macro-economic situation has shown signs of improvement, cement operations in Pakistan are also showing strong signs of recovery and it is expected that the cement industry will continue to improve due to increase in demand in both domestic and international markets.

Federal excise duty was reduced by 25% by the Federal Government as part of Construction package and other major initiatives to boost construction activities in the Country such as announcement of various development projects will definitely spur the demand of cement in upcoming periods. However, a significant push is expected to arise from big ticket projects like construction of small and large-capacity / multipurpose water reservoirs / dams, construction of Special Economic Zones as part of CPEC projects, and low-cost affordable houses for the public at large.

Moreover, during the current year, the Government also slashed the discount rate to 7% in order to stimulate the economic activity in view of reduction in growth rate due to outbreak of COVID-19. Considering the steps taken by the Government we are hopeful that in future economic slowdown currently facing the country would begin to reverse.

The management is alive to the challenges ahead and is continuously evolving strategies and adopting appropriate measures to mitigate market risks, meet future challenges and maintain business growth.

Performance of the Group

In compliance with section 226(4) of the Companies Act, 2017 attached with this report are the consolidated financial statements of Thatta Cement Company Limited (the Holding Company) and Thatta Power (Private) Limited (the Subsidiary Company) for the / as at year ended June 30, 2020.

Operating Results

	2020	2019
	----- Rupees in thousands -----	
Statement of Financial Position		
Property, plant and equipment	4,325,672	4,392,538
Stock-in-Trade	394,514	370,977
Trade Debts	937,558	881,813
Paid-up Share Capital	997,181	997,181
Total Equity - Holding Company	3,609,010	3,639,915
Trade and Other payables	472,428	428,056
Short Term Borrowings	306,544	285,080
Statement of Profit or Loss		
Sales - net	2,435,037	4,134,378
Gross Profit	361,606	1,070,780
Selling, Distribution cost & Administrative Expense	180,277	338,721
Profit before taxation	65,327	646,927
Profit for the year	39,679	559,610
(Loss)/ Earnings per share (in Rupees)	(0.35)	4.31

Thatta Power (Private) Limited – Captive Power Plant

Thatta Power (Private) Limited (TPPL), subsidiary of Thatta Cement Company Limited (TCCL) has earned a profit after tax of Rs 195.16 million; however, distribution of dividend to the shareholders of TPPL cannot be made this year, due to restricting covenants of financing agreements executed by the Subsidiary Company. Thus, distribution of profit to shareholders of the Subsidiary Company would be made in future subject to compliance of covenants of financing agreements.

The Subsidiary Company entered into a Power Purchase Agreement (PPA) with HESCO on May 14, 2011 to sell electricity at rates agreed in the said agreement. The agreement was executed in accordance with the New Captive Power Policy (N-CPP) 2009. Subsequently, National Electric Power Regulatory Authority (NEPRA) issued an order revising the tariff formula resulting in reduced tariff. This act of downward revising the tariff for N-CPPs was unwarranted especially where there is severe electricity shortage in the province of Sindh. In view of the said order, HESCO intimated to pay its dues for electricity purchased as per the revised tariff formula. In response, the Subsidiary Company filed a petition before the Honorable High Court of Sindh, against HESCO, on the grounds that HESCO failed to pay its dues to the Subsidiary Company as per PPA. The Honorable High Court of Sindh disposed off the petition filed by TPPL with the direction to HESCO to pay TPPL against purchase of electricity as per the rates stipulated in PPA until 01-02-2012 and thereafter on the rates determined by NEPRA. In view of the adverse order and according to the advice of the legal counsel the Company had filed an appeal before the Supreme Court of Pakistan on October 28, 2015 against the order passed by the High Court of Sindh. Consequently, HESCO & NEPRA have also filed appeals before the Supreme Court of Pakistan against the same order, which are pending for adjudication.

WASTE HEAT RECOVERY (WHR) PROJECT OF THATTA POWER (PRIVATE) LIMITED

By the grace of Allah the Almighty, test run of Waste Heat Recovery (WHR) has been successfully completed and the project has started its commercial production during the year under review. This WHR project is another milestone achieved by your company and will serve to significantly reduce the production cost of subsidiary company, improved efficiency and environment control by reducing company's carbon footprint.

Acknowledgement

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage. The Directors acknowledge the relentless efforts and dedicated services, team work, loyalty and hard work of all the employees of the Company and hope their continued dedication shall further consolidate the Company and keep it abreast to face future developments and demands.



Muhammad Aslam Shaikh
Chief Executive



Khawaja Muhammad Salman Younis
Chairman

Karachi: September 30, 2020

ANNEXURE I

Attendance of Directors in Board Meetings held during the year ended June 30, 2020

Name of Directors	No. of Meetings	Meeting attended
Mr. Khawaja Muhammad Salman Younis	5	1
Mr. Muhammad Taha Hamdani*	3	3
Mr. Muhammad Aslam Shaikh**	2	2
Ms. Naheed Memon	5	5
Mr. Agha Sher Shah	5	5
Mr. Saleem Zamindar	5	5
Mr. Noor Muhammad	5	5
Mr. Muhammad Jamshid Malik***	1	0
Mr. Shahid Aziz Siddiqui****	2	0

* Resigned as CEO w.e.f. December 23, 2019

** Appointed as CEO w.e.f. December 23, 2019

*** Appointed as Director w.e.f. February 24, 2020

**** Passed away on November 08, 2019

Attendance of Members in Audit Committee Meetings held during the year ended June 30, 2020:

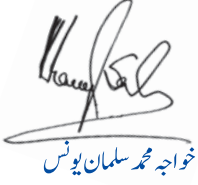
Name of Members	No. of Meetings	Meeting attended
Mr. Saleem Zamindar	5	5
Mr. Khawaja Muhammad Salman Younis	5	1
Mr. Noor Muhammad*	3	3
Mr. Shahid Aziz Siddiqui**	2	2

* Appointed as member on December 11, 2019

** Passed away on November 08, 2019.

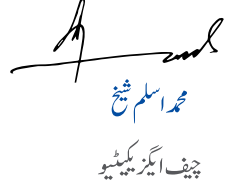
اظہار تشکر

ڈائریکٹرز تمام حصص داران، مالیاتی اداروں اور صارفین کے تہہ دل سے مشکور ہیں کہ ان کا تعاون، اکی حمایت اور اکی رہنمائی ہمیشہ ہمارے شامل حال رہی۔ ڈائریکٹرز کمپنی کے تمام ملازمین کی جانب سے انتھک محنت، اجتماعی کوششوں اور اخلاص کیلئے ان کے بے حد مشکور ہیں اور امید کرتے ہیں کہ آئندہ بھی ان کی جانب سے کمپنی کی ترقی اور مستقبل کے چیلنجز اور تقاضوں سے نمٹنے کیلئے اسی عزم و ہمت کا مظاہرہ کیا جائے گا۔



خواجہ محمد سلمان یونس

چیرمین



محمد اسلم شیخ

چیف ایگزیکٹو

کراچی: 30 ستمبر 2020

گروپ کی کارکردگی

کمپنیز ایکٹ 2017 کے سیکشن (4) 226 کے تحت رپورٹ ہذا یعنی مالیاتی دستاویزات برائے سال 30 جون 2020 کے ساتھ ٹھٹھہ سینٹ کمپنی لمیٹڈ (ہولڈنگ کمپنی) اور ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ (ذیلی کمپنی) کی مجموعی مالیاتی دستاویزات کو بھی منسلک کیا گیا ہے۔

Statement of Financial Position

	2020	2019
	----- Rupees in thousands -----	
Property, plant and equipment	4,325,672	4,392,538
Stock-in-Trade	394,514	370,977
Trade Debts	937,558	881,813
Paid-up Share Capital	997,181	997,181
Total Equity - Holding Company	3,609,010	3,639,915
Trade and Other payables	472,428	428,056
Short Term Borrowings	306,544	285,080

Statement of Profit or Loss

Sales - net	2,435,037	4,134,378
Gross Profit	361,606	1,070,780
Selling, Distribution cost & Administrative Expense	180,277	338,721
Profit before taxation	65,327	646,927
Profit for the year	39,679	559,610
(Loss)/ Earnings per share (in Rupees)	(0.35)	4.31

ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ - کیپیٹو پاور پلانٹ

ٹھٹھہ سینٹ کمپنی لمیٹڈ (ٹی سی ایل) کی ذیلی کمپنی ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ (ٹی پی ایل) نے 195.16 ملین روپے کا منافع بعد از ٹیکس کمایا ہے، تاہم اس سال حصص داران کو ڈیوڈنڈ نہیں دیئے جائیں گے جس کی وجہ ذیلی کمپنی کی جانب سے طے کئے جانے والے محدود نمو پذیری معاہدے ہیں جن کی وجہ سے یہ پابندی عائد ہے۔ لہذا حصص داران کو مستقبل میں منافع کی تقسیم کی جائے گی جس کا انحصار نمو پذیری معاہدات کی شرائط پر ہو گا۔

ذیلی کمپنی نے حسیکو کے ساتھ 14 مئی 2011 کو پاور پراجیکٹ ایگریمنٹ (پی پی اے) طے کیا، اس معاہدے کی رو سے کمپنی نے حسیکو کو معاہدے میں طے شدہ نرخوں پر بجلی فروخت کرنا تھی۔ یہ معاہدہ نیو کیپیٹو پاور پالیسی 2009 کی شقوں کی پاسداری کرتے ہوئے طے پایا۔ تاہم بعد ازاں نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا) کی جانب سے بجلی کے نرخ مقرر کرنے کیلئے ایک نیا فارمولہ پیش کیا گیا جس کے تحت بجلی فروخت کرنے کے نرخوں میں کمی کر دی گئی۔ نیپرا کی جانب سے این۔ سی پی پی کو کم نرخ دیئے جانے کا یہ فارمولہ بالخصوص ان حالات میں جبکہ صوبہ سندھ میں بجلی کا سخت بحران پایا جاتا ہے انتہائی نامناسب تھا۔ نیپرا کے اس آرڈر کو مد نظر رکھتے ہوئے حسیکو نے نوٹس دیا کہ وہ کمپنی کو خریدی گئی بجلی کے نرخ نئے فارمولے کے تحت ادا کریں گے۔ اس کے جواب میں ذیلی کمپنی کی جانب سے سندھ ہائی کورٹ کے روبرو ایک درخواست دائر کی گئی جس میں یہ موقف اپنایا گیا تھا کہ حسیکو ذیلی کمپنی کو پی پی اے کے مطابق ادائیگی کرنے میں ناکام رہی ہے۔ معزز عدالت کی جانب سے ٹی پی پی ایل کی درخواست کو خارج کرتے ہوئے حسیکو کو یہ ہدایت کی گئی کہ وہ ٹی پی پی ایل کو 02-01-2012 تک پی پی اے میں متعین نرخوں کے مطابق ادائیگیاں کرے اور اس تاریخ کے بعد سے ادائیگیاں نیپرا کی جانب سے پیش کئے گئے نئے فارمولے کے مطابق کی جائیں۔ امید کے برخلاف فیصلہ آنے اور قانونی ٹیم سے مشاورت کے بعد ذیلی کمپنی نے ہائی کورٹ کی جانب سے دیئے گئے فیصلے کے خلاف سپریم کورٹ آف پاکستان میں مورخہ 28-10-2015 کو ایک اپیل دائر کر دی گئی ہے۔ نتیجتاً حسیکو اور نیپرا کی جانب سے بھی سندھ ہائی کورٹ کی جانب سے دیئے گئے فیصلے کے خلاف سپریم کورٹ کے روبرو اپیلیں دائر کر دی گئی ہیں جو کہ عدالت عظمیٰ کے سامنے زیر التواء ہیں۔

ویسٹ ہیٹ ریکوری (ڈیلو ایچ آر) پروجیکٹ ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ

ویسٹ ہیٹ ریکوری (ڈیلو ایچ آر) کا ٹیسٹ رن کامیابی کے ساتھ مکمل کر لیا گیا ہے اور زیر نظر مالی سال کے دوران پروجیکٹ نے کمرشل پیداوار کا آغاز بھی کر دیا ہے۔ یہ ویسٹ ہیٹ ریکوری پروجیکٹ آپ کمپنی کی جانب سے طے کردہ ایک اور سنگ میل ہے اور اس سے ذیلی کمپنی کی پیداواری لاگت میں واضح کمی آئی گی، کارکردگی میں بہتری آئے گی اور کمپنی کی جانب سے کاربن فٹ پرنٹ کے اخراج میں کمی کی وجہ سے ماحولیاتی پر مثبت اثرات مرتب ہوں گے۔

ڈائریکٹروں کا مشاہرہ

ڈائریکٹروں کے مشاہرے کا تعین کمپنی کے آرٹیکلز آف ایسوسی ایشن کے ذریعے کیا جاتا ہے جس کے تحت کسی بھی ڈائریکٹر کو ڈائریکٹروں کے اجلاس میں شرکت کیلئے یا ڈائریکٹروں کی کسی کمیٹی کے اجلاس میں شرکت کیلئے مشاہرہ ادا کیا جائے گا جس کا تعین بورڈ آف ڈائریکٹرز کی جانب سے ان کے دائرہ کار اور ذمہ داریوں کی روشنی میں ان کی قابلیت اور کاوشوں کی بنیاد پر کیا جائے گا۔ کمپنی کے ایگزیکٹو ڈائریکٹر (چیف ایگزیکٹو) کو ادا کیے جانے والے مشاہرے کی تفصیلات مالیاتی دستاویزات کے نوٹ نمبر 39 میں ملاحظہ کی جاسکتی ہیں۔

بورڈ کی کارکردگی کی جانچ

لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس، ریگولیشنز 2019 کے تحت کمپنی کے طے شدہ اہداف کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز اور اس کے ممبران اور بورڈ کی کمیٹیوں کی کارکردگی کا جائزہ لیا گیا ہے۔ اس مقصد کیلئے بورڈ نے اپنی، اپنے ممبران اور کمیٹیوں کی کارکردگی کو پرکھنے کیلئے ایک نظام وضع کر رکھا ہے۔ سال رواں میں گئی اس جانچ کے مطابق بورڈ، اس کے ممبران اور کمیٹیوں کے ممبران کی کارکردگی اطمینان بخش ہے۔

مابعد واقعات

مالیاتی سال کے اختتام سے لے کر ڈائریکٹرز رپورٹ کی تاریخ تک کمپنی کے معاملات میں ایسی کوئی خاطر خواہ تبدیلی واقع نہیں ہوئی ہے جس کا اثر کمپنی کی مالیاتی پوزیشن پر پڑتا ہو۔

نادہندگی

زیر نظر مالی سال کے دوران کمپنی اپنی ادائیگیوں کے سلسلے میں کسی بھی طرح نادہندہ نہیں رہی۔

بیرونی آڈیٹرز

کوڈ آف کارپوریٹ گورننس ریگولیشنز 2019 کی شق (2) 33 کے مطابق ردوبدل کے اہم اصول کے پیش نظر کمپنی کی آڈٹ کمیٹی کی سفارش پر بورڈ کی جانب سے میسرز بی ڈی او ابراہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹرز برائے مالی سال اختتامیہ 30 جون 2021 تعینات کرنے تجویز دی گئی ہے۔

کمپنی کے موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجمن رحمان، چارٹرڈ اکاؤنٹنٹس کی تعیناتی کی منظوری سالانہ اجلاس عام منعقدہ 16 اکتوبر 2015 میں کمپنی کے حصص داران نے دی تھی۔

مستقبل پر نظر

جیسا کہ متحرک کوڈ مریضوں کی تعداد میں پاکستان کے اندر واضح کمی آئی ہے حکومت کی جانب سے عائد کی جانے والی تمام پابندیوں کو اٹھالیا گیا ہے۔ جیسا کہ کھلی معاشی اشاریے بہتری کی جانب گامزن ہیں، پاکستان میں سینٹ کی صنعت میں بھی بہتری کے آثار نمودار ہونا شروع ہو چکے ہیں اور اس بات کی امید کی جاسکتی ہے کہ بین الاقوامی سطح پر سینٹ کی طلب میں اضافے کے باعث سینٹ کی صنعت ترقی کی جانب گامزن ہوگی۔

تعمیراتی صنعت کو دیئے جانے والے پیسے کے تحت حکومت کی جانب سے فیڈرل ایکسائز ڈیوٹی میں 25 فیصد کمی کی گئی ہے اور تعمیرات کی صنعت میں جان ڈالنے کیلئے دیگر اقدامات بھی اٹھائے گئے ہیں جیسا کہ مختلف ترقیاتی پروجیکٹس کے اعلانات کئے گئے ہیں جس کے باعث آنے والے دنوں میں سینٹ کی طلب میں بلاشبہ اضافہ ہوگا۔ تاہم بڑے منصوبوں کی وجہ سے سینٹ کی طلب میں بڑے پیمانے پر اضافہ ہونے کی توقع ہے جیسا کہ کثیر المقاصد پانی کے ذخائر / ڈیموں کی تعمیر، سی پیک کے تحت خصوصی اکنامک زونز کی تعمیر اور کم آمدن افراد کیلئے سستے گھروں کی تعمیر وغیرہ۔

مزید برآں، زیر نظر مالی سال کے دوران کوڈ-19 کے باعث ماند پڑنے والی معاشی سرگرمیوں میں تیزی لانے کیلئے حکومت کی جانب سے شرح سود کو اگر 7 فیصد تک لایا گیا ہے۔ حکومت کی جانب سے اٹھائے جانے والے ان اقدامات کے بعد اس بات کی امید کی جاسکتی ہے کہ حال ہی میں سست روی کی شکار معیشت مستقبل میں تیزی کی جانب گامزن ہوگی۔

انتظامیہ کمپنی کو درپیش مشکلات سے مکمل طور پر آگاہ ہے اور ان مشکلات اور خطرات کے اثرات کو کم سے کم کرنے کی غرض سے مستقل بنیادوں پر ناصرف حکمت عملی وضع کر رہی ہے بلکہ اس ضمن میں خاطر خواہ اقدامات بھی اٹھائے جا رہے ہیں تاکہ مستقبل کے خطرات سے نمٹنے کے علاوہ کمپنی کے کاروبار میں ترقی کو بھی برقرار رکھا جاسکے۔

ح۔ کمپنی کی جانب سے اپنے مستقل ملازمین کیلئے ایک پراویڈنٹ فنڈ اور گریجویٹ فنڈ کا انتظام کیا گیا ہے۔ ذیل میں ان رقوم کو بیان کیا جا رہا ہے جنہیں کمپنی کی جانب سے دستاویز برائے نفع و نقصان میں ظاہر کیا گیا ہے۔

پراویڈنٹ فنڈ	9.507 ملین روپے
گریجویٹ فنڈ	17.262 ملین روپے

ط۔ آڈٹ شدہ اکاؤنٹس کے مطابق ٹھٹھ سینٹ کمپنی لمیٹڈ کے انویسٹمنٹ پلان برائے ریٹائرمنٹ مینٹنس کی قدر بتاریخ 30 جون 2020 درج ذیل ہے:

پراویڈنٹ فنڈ	85.80 ملین روپے
گریجویٹ فنڈ	55.38 ملین روپے

ی۔ گزشتہ چھ سال سے متعلق تمام اہم کاروباری اور مالیاتی شماریات الگ سے فراہم کی گئی ہیں۔

ک۔ دوران سال بورڈ، آڈٹ کمیٹی اور انسانی وسائل و ادائیگیوں کی کمیٹی کی جانب سے منعقد کی جانے والی میٹنگز کی تعداد اور ان میٹنگز میں شرکت کرنے والے ڈائریکٹروں کی حاضری سے متعلق ہر ڈائریکٹر کی فرداً فرداً تفصیل (ضمیمہ 1) جو کہ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت سالانہ رپورٹ کا حصہ بنایا گیا ہے

ل۔ کمپنی کی ترتیب حصص داری کو کمپنیز ایکٹ 2017 کے سیکشن (f) (2) 227 کے تحت رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلی

دوران سال اتفاقہ طور پر خالی ہونے والی اسامیوں کو پر کئے جانے کے بعد بورڈ میں کی جانے والی تبدیلیوں سے پاکستان اسٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو آگاہ کر دیا گیا ہے:

سبکدوش ہونے والے ڈائریکٹروں کے نام بمعہ استعفیٰ کی تاریخ	نئے تعینات ہونے والے ڈائریکٹروں کے نام بمعہ تعیناتی کی تاریخ
شاہد عزیز صدیقی (بوجہ رحلت) متوفی 8 نومبر 2019	محمد اسلم شیخ بتاریخ 4 فروری 2020
محمد طہ ہدانی بتاریخ 23 دسمبر 2019	محمد جمشید ملک بتاریخ 24 فروری 2020

کوڈ آف کارپوریٹ گورننس کی پاسداری

الف۔ دستاویز برائے کوڈ آف کارپوریٹ گورننس کی پاسداری (سی سی جی) کو بھی اس رپورٹ سے منسلک کیا گیا ہے۔

ب۔ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت بورڈ آف ڈائریکٹرز کی درج ذیل ساخت کو سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے:

ڈائریکٹروں کی تعداد

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تفصیلات

الف۔ مرد

ب۔ خواتین

ساخت

i۔ غیر جانبدار ڈائریکٹرز

ii۔ غیر انتظامی ڈائریکٹرز

iii۔ انتظامی ڈائریکٹر

iv۔ خاتون ڈائریکٹر

ج۔ بورڈ کی ذیلی کمیٹیوں سے متعلق تفصیلات صفحہ نمبر 03 پر ملاحظہ کی جاسکتی ہیں۔

الف۔ قرض / ایڈوانس کی سہولت 300 ملین روپے برائے ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی کی تجدید

ٹھٹھہ سینٹ کمپنی لمیٹڈ (ٹی سی ایل) کی جانب سے اپنے سالانہ عام اجلاس منعقدہ 16 اکتوبر 2015 میں حصص داران سے ذیلی کمپنی کو اس کی مالیاتی ذمہ داریوں اور راس المال کی ضروریات سے نبرد آزما ہونے کیلئے قرض / ایڈوانس کی سہولت فراہم کرنے کی منظوری حاصل کی گئی تھی۔ بعد ازاں ذیلی کمپنی کی مالیاتی ضروریات کو مد نظر رکھتے ہوئے قرض کی مزکورہ سہولت جاری رکھنے کے لئے ہر سالانہ اجلاس عام میں اس منظوری کی تجدید کی گئی ہے۔ اس قرض کے سلسلے میں حاصل کی گئی منظوری کمپنی کے آئندہ سالانہ عام اجلاس مؤرخہ 26 اکتوبر 2020 تک کارآمد رہے گی۔

تاہم 30 جون 2020 تک ذیلی کمپنی کے تجارت کی مد میں قابل وصول رقم میں اضافہ ہوا ہے جس کا بڑا حصہ حیکو سے قابل وصول رقم ہے اور جو اس بات کی نشاندہی کر رہا ہے کہ حیکو کی جانب سے بجلی کے بلوں کی ادائیگی میں تاخیر کی جارہی ہے اس لئے ذیلی کمپنی کو اپنی مالیاتی ذمہ داریوں اور راس المال کی ضروریات پورا کرنے کیلئے مالیاتی امداد کی ضرورت پیش آسکتی ہے۔ اس مالیاتی امداد کے نتیجے میں ذیلی کمپنی ٹھٹھہ سینٹ کمپنی لمیٹڈ کو بلا تعلق بجلی کی فراہمی جاری رکھ سکے گی اور ٹھٹھہ سینٹ کمپنی لمیٹڈ سینٹ کی پیداوار کے عمل کو بلا تعلق جاری رکھ سکے گی۔ اسی لئے ذیلی کمپنی کی مالیاتی ذمہ داریوں اور راس المال کی ضروریات کو پورا کرنے کیلئے مجوزہ قرض کی سہولت کی تجدید کی تجویز دی جارہی ہے۔ اسی مناسبت سے، سالانہ رپورٹ کے ساتھ کمپنیز ایکٹ 2017 کی زیر دفعہ (3) 134 کے تحت ایک ضمیمہ بھی منسلک کیا گیا ہے جس میں مزکورہ بالاہ معاملے سے متعلق تمام اہم حقائق اور اس کے جواز کے حق میں دلائل پیش کئے گئے ہیں۔

ب۔ ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی، کے ساتھ ویسٹ ہیٹ یوٹیلٹیز انٹرپرائز انگریمنٹ

ذیلی کمپنی کی جانب سے ویسٹ ہیٹ ریکوری پروجیکٹ کے تحت 5 میگاواٹ بجلی پیدا کرنے کے منصوبے نے کمرشل آپریشنز کا آغاز کر دیا ہے۔ ٹھٹھہ سینٹ کمپنی لمیٹڈ کی جانب سے ذیلی کمپنی کو انٹر کونینچنگ چیمبر اور سپنیشن پری ہیٹر کے ذریعے ویسٹ ہیٹ فراہم کی جائے گی تاکہ سپر ہیٹ اسٹیم کے ذریعے ذیلی کمپنی مزکورہ بجلی پیدا کر سکے۔ اس مقصد کیلئے ٹھٹھہ سینٹ کمپنی لمیٹڈ کی جانب سے ذیلی کمپنی کے ساتھ ویسٹ ہیٹ یوٹیلٹیز انٹرپرائز انگریمنٹ (ڈبل پوائنٹ) (ایچ ایچ ایچ) کیا گیا ہے تاکہ اسے ویسٹ ہیٹ مہیا کی جاسکے۔

ج۔ ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی (ایس سی)، کے ساتھ سروس لیول انگریمنٹ

ٹھٹھہ سینٹ کمپنی لمیٹڈ کی جانب سے ذیلی کمپنی کو اپنے روزمرہ کے کاروباری معاملات چلانے کیلئے خدمات فراہم کی جاتی ہیں۔ ان خدمات کی فراہمی ایک سروس لیول انگریمنٹ کے تحت ہوتی ہے جس میں ان خدمات کے دائرہ کار اور شرائط و ضوابط کو طے کیا گیا ہے۔ مزکورہ معاہدے کی منظوری ٹھٹھہ سینٹ کمپنی لمیٹڈ اور ذیلی کمپنی کے بورڈ آف ڈائریکٹرز سے حاصل کی جا چکی ہے۔

د۔ ٹھٹھہ سینٹ کمپنی لمیٹڈ کو بجلی کی فراہمی کیلئے ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی (ایس سی)، کے ساتھ پاور پریچر انگریمنٹ

ٹھٹھہ سینٹ کمپنی لمیٹڈ کی جانب سے بجلی کی فراہمی کیلئے ذیلی کمپنی کے ساتھ 12 دسمبر 2011 کو پاور پریچر انگریمنٹ کیا گیا تھا۔ ذیلی کمپنی کی جانب سے 12 دسمبر 2012 کو کمرشل بنیادوں پر بجلی کی پیداوار کا آغاز ہو چکا ہے۔ پاور پریچر انگریمنٹ کے اندر بجلی کی فراہمی کے سلسلے میں انوائسنگ / بلنگ اور دیگر شرائط و ضوابط کو طے کیا گیا ہے۔ پاور پریچر انگریمنٹ کو نیو کیپیٹو پاور پالیسی 2009 کے تحت عمل میں لایا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ

الف۔ ٹھٹھہ سینٹ کمپنی لمیٹڈ کی جانب سے تیار کی جانے والی مالیاتی دستاویزات صحیح انداز سے کمپنی کے معاملات، کاروباری نتائج، نقد رقوم کی ترسیل اور سرمایہ برہنی حصص میں تبدیلی کی نمائندگی کرتی ہیں۔ کارپوریٹ گورننس کے سنہرے اصولوں کی پاسداری کیلئے تمام ضروری اقدامات اٹھائے جا رہے ہیں۔

ب۔ کمپنی کی جانب سے تمام کھاتوں کو باقاعدہ محفوظ کیا جاتا ہے۔

ج۔ مالیاتی دستاویزات اور اس کے ساتھ منسلک نوٹس کی تیاری کے سلسلے میں کمپنیز ایکٹ 2017 اور پاکستان میں مستعمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز اور انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز کی مکمل پاسداری کی گئی ہے۔ اور اس ضمن میں کسی قسم کی کوئی قابل ذکر وگردانی نہیں کی گئی۔

د۔ مالیاتی دستاویزات کی تیاری میں مستقل بنیادوں پر اکاؤنٹنگ کی مناسب پالیسیوں پر عمل کیا جا رہا ہے اور تمام محاسبی تخمینے قرین قیاس ہیں۔

ه۔ کمپنی کے اندرونی کنٹرول سسٹم کو جامع اور مؤثر انداز سے نافذ کیا گیا ہے اور اسکی مستقل بنیادوں پر نگرانی اور اصلاح کی جاتی ہے۔

و۔ کمپنی ہیشگی کی بنیاد پر اپنی کاروباری سرگرمیاں جاری رکھے ہوئے ہے اور اس سلسلے میں ٹیک کی کوئی گنجائش موجود نہیں ہے کہ کمپنی اپنی کاروباری سرگرمیوں کو ہیشگی کی بنیاد پر آئندہ بھی جاری رکھے گی۔

ذ۔ کمپنی کے ذمے ٹیکسوں، ڈیوٹیز، لیویز اور دیگر واجبات کے ضمن میں معمول کی کاروباری سرگرمیوں اور ان واجبات کے علاوہ کوئی واجبات نہیں ہیں جنہیں مالیاتی دستاویزات میں بیان کیا جا چکا ہے۔

کمپنی کے کاروبار کے ماحول پر اثرات

سیمنٹ کی پیداوار سے ماحول کو سب سے بڑا خطرہ کلنکر کی پیداوار کے دوران خارج ہونے والے انتہائی چھوٹے چھوٹے ذرات سے ہے جو آسانی بذریعہ سانس اندر جاسکتے ہیں اور جو ایک مستقل اور مہلک بیماری سیلیکوسس کا باعث بن سکتے ہیں۔

کمپنی کے پاس اعلیٰ تربیت یافتہ اور دل جمعی کے ساتھ کام کرنے والا ایسا اسٹاف موجود ہے جو کہ ایس ای پی اے اور ایس ای کیو ایس کے معیارات کی پاسداری کیلئے ہمہ وقت کوشش میں لگا رہتا ہے۔ کمپنی کے کاروبار کی وجہ سے ماحولیات کو پہنچنے والے نقصانات سے نمٹنے کیلئے کمپنی اقدامی حکمت عملی پر یقین رکھتے ہوئے ایسے طریقے اپنائے ہوئے ہیں جس سے ان خطرات کو کم سے کم کیا جاسکے جیسا کہ کمپنی کی جانب سے گرد کو قابو میں رکھنے کی غرض سے ڈسٹ سائیکلون، بیگ ہاؤسز، نمی کے ذریعے گرد کو کنٹرول کرنے کا سسٹم اور الیکٹرو اسٹیک نمی سسٹم اور پرسنل پروٹیکٹو سسٹم وغیرہ کی تنصیب کی گئی ہے اور اس کے ساتھ ساتھ کمپنی کے احاطے میں سانس کے ذریعے اندر سرایت کر جانے والی گرد آرائیں پی ایم اور آر ایف ڈی کو قابو میں کرنے کیلئے اسپیدلٹ کنٹرول کی تنصیب بھی کی گئی ہے۔

اس کے علاوہ قابل استعمال ہوا، پینے کے صاف پانی اور شور کی شدت سے متعلق ایس ای پی اے ایکٹ 2014 کے تحت ماحولیات کیلئے قائم کئے جانے والے معیارات کی بھی مکمل پاسداری کی جاتی ہے۔ ایس ای پی اے سے مصدقہ ماحولیاتی لیبارٹری کے ذریعے مانیٹرنگ اور تجزیات کا عمل بھی جاری رہتا ہے۔

ٹی سی سی ایل کی ایک ذیلی کمپنی کی جانب سے ویسٹ ہیٹ ریکوری سسٹم (ڈیپو ایچ آر ایس) کی تنصیب کی گئی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ گلوبل وارمنگ میں اپنی جانب سے کم سے کم حصہ ملایا جائے اور سیمنٹ پلانٹ اور پاور جنریشن سے کاربن کا اخراج بھی کم از کم ہو۔

مڑ کوہ بالاہ کے علاوہ، کووڈ-19 ایک عالمی وباء ہے اور حالیہ دنوں میں دنیا کو صحت سے متعلق درپیش سب سے بڑا چیلنج ہے۔ کمپنی کی جانب سے کاروباری افعال کو محفوظ انداز سے چلانے کیلئے صحت کے عالمی اداروں اور حکومت پاکستان کی جانب سے جاری کی جانے والی ہدایات پر سختی سے عمل کیا جا رہا ہے۔

اس سلسلے میں بنیادی طور پر درج ذیل اقدامات اٹھائے گئے ہیں:

➤ کووڈ-19 کی موجودگی میں کاروباری افعال جاری رکھنے کا منصوبہ (بی سی پی)۔

➤ حکومت سندھ کی جانب سے جاری کردہ ایس او بیز پر عمل۔

➤ ملازمین کے گھر سے کام کرنے کی حوصلہ افزائی کرنا۔

➤ پلانٹ اور ہیڈ آفس پر ٹیلی کام کے ذریعے فاصلاتی اجلاس کا انعقاد۔

کارپوریٹ معاشرتی ذمہ داری

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے آپ کی کمپنی نے اپنی معاشرتی ذمہ داریوں کو ہمیشہ بطریق احسن نبھایا ہے۔ جس شہر میں کمپنی اپنے کاروباری افعال سرانجام دے رہی ہے وہاں کی مقامی کمیونٹیز کی فلاح و بہبود کیلئے کمپنی اقدامات اٹھاتی رہتی ہے۔ دوران سال رواں کمپنی کی جانب سے تعلیم اور صحت کے شعبوں میں خاطر خواہ رقم خرچ کی گئی ہے۔ اس سلسلے میں معیاری اسٹاف کے ساتھ تمام تر سہولیات سے آراستہ سیلیکوسس تشخیصی و صحتی مرکز بھی قائم کیا گیا ہے۔

اندرونی مالیاتی نظم و ضبط

مالیاتی دستاویزات کی منظوری کی تاریخ تک کمپنی کے ڈائریکٹروں کی جانب سے کمپنی کے اندرونی مالیاتی نظم و ضبط کو مضبوط کرنے کیلئے ہر ممکن اقدامات اٹھائے گئے ہیں۔ ان اقدامات کا تعلق ہر اس اہم معاملے سے ہے جو کہ کمپنی کے مالیاتی امور، کاروباری افعال اور ضوابط کی پاسداری سے ہے جو کہ کمپنی کے کاروبار پر اثر انداز ہو سکتے ہیں۔

متعلقہ پارٹیوں کے ساتھ معاملات

پاکستان اسٹاک ایکسچینج لمیٹڈ کے ضوابط کے مطابق، متعلقہ پارٹیوں سے کئے گئے لین دین کے تمام معاملات کی آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز سے منظوری حاصل کر لی گئی تھی۔ مزید برآں، کمپنیز ایکٹ 2017 کے سیکشن 208 کے تقاضوں کو پورا کرنے کے لئے مندرجہ ذیل معلومات بھی شامل کر دی گئی ہیں۔

کمپنی کی فروخت کا جائزہ

زیر نظر مالی سال کے دوران سینٹ کی فروخت میں بلحاظ حجم 49.48 فیصد کی کمی واقع ہوئی ہے۔ برآمدات میں جہاں 70.36 فیصد کی کمی واقع ہوئی ہے تو دوسری طرف مقامی سطح پر بھی فروخت میں 41.81 فیصد کی کمی واقع ہوئی ہے اور سینٹ کی اضافی پیداواری صلاحیت کی موجودگی کی وجہ سے سخت مسابقتی ماحول ہے جس سے کمپنی کی فروخت کے حجم پر بھی منفی اثرات مرتب ہوئے ہیں۔

مالیاتی کارکردگی

کمپنی کی مالیاتی کارکردگی برائے مالی سال 30 جون 2020 اور گزشتہ سال اسی عرصے کے دوران مالیاتی کارکردگی کا تقابلی جائزہ درج ذیل ہے:

Particulars	2020	2019
	----- Rupees in thousands -----	
Sales – net	1,755,227	3,468,411
Gross profit	52,100	671,967
Selling & Distribution Cost	89,760	220,258
Finance Cost	44,153	50,620
(Loss)/Profit before taxation	(140,934)	295,318
(Loss)/Profit for the year	(158,018)	213,522
(Loss)/Earnings per share (Rupees)	(1.58)	2.14

فروخت کے تناسب سے لاگت برائے فروخت میں 97.03 فیصد رہا جبکہ گزشتہ مالی سال کے دوران یہ تناسب 81 فیصد تھا۔ لاگت میں یہ اضافہ دراصل مستقل اخراجات کو زیر نظر دورانیے کے اخراجات کی مد میں درج کئے جانے کی وجہ سے ہوا ہے جو انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ کے عین مطابق ہے اور ایسا اس وجہ سے کیا گیا کہ کلنر کی پیداواری صلاحیت کے مقابلے میں کلنر کی پیداوار بہت ہی کم رہی اور ایسا بالخصوص زیر نظر مالی سال کی چوتھی سہ ماہی کے دوران لاک ڈاؤن کی وجہ سے ہوا۔ مزید برآں، پیکنگ میٹیریل کی قیمت، ٹرانسپورٹ کے اخراجات، خام مال کی قیمت میں اضافے اور ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں ہونے والی کمی وجہ سے کمپنی کے منافع پر واضح طور پر منفی اثرات مرتب ہوئے ہیں اور گزشتہ مالی سال کے دوران منافع کی شرح 19.37 فیصد سے کم ہو کر زیر نظر مالی سال کے دوران 2.97 فیصد کی سطح پر آگئی۔

زیر نظر مالی سال میں لاگت ترسیل کم ہو کر 89.8 ملین روپے ہو گئی جو گزشتہ مالی سال 220.25 ملین روپے تھی۔ اس کی سب سے بڑی وجہ برآمداتی محصولات میں 71.86 فیصد تک کی کمی ہے۔

زیر نظر مالی سال کے دوران نقصان اور مستقبل پر نظر

مالی سال 2019-20 کے دوران کمپنی کو بعد از ٹیکس 158 ملین روپے کا نقصان برداشت کرنا پڑا ہے (2019 میں بعد از ٹیکس 213.5 ملین روپے کا منافع درج کیا گیا تھا)۔ اس نقصان کی وجہ سے فی حصص 1.58 روپے کا نقصان ہوا ہے (2019 میں 2.14 روپے کی آمدن فی حصص درج کی گئی تھی)۔ سینٹ کی طلب میں کمی، پاکستانی روپے کی قدر میں واضح کمی، شرح سود میں اضافہ، سینٹ کی قیمت فروخت میں کمی، فیڈرل ایکسائز یوٹی میں واضح اضافہ خام مال کی قیمت میں اضافے اور معاشی زبوں حالی کے ساتھ ساتھ لاک ڈاؤن کی صورت حال وہ وجوہات ہیں جن کی وجہ سے کمپنی کو مزید نقصان اٹھانا پڑا۔ یہ تمام وجوہات ہیں جن کا حل نکالنا کمپنی کی انتظامیہ کے بس کی بات نہ تھی۔ تاہم ان تمام مسائل کے باوجود کمپنی اپنی تمام تر مالیاتی ذمہ داریوں سے بروقت نبرد آزما ہونے میں کامیاب رہی ہے۔

امید ہے کہ کووڈ-19 کی وجہ سے پیدا ہونے والے منفی اثرات کو کم کرنے کی غرض سے حکومت کی جانب سے اٹھائے جانے والے معاشی اقدامات بشمول ترغیبات برائے تعمیراتی صنعت کامیابی سے ہمکنار ہوں گے۔ اس کے علاوہ حکومت کی جانب سے بنیادی ڈھانچے کی تعمیر اور ہاؤسنگ پر بالخصوص توجہ دینے کی وجہ سے مالی سال 2020-21 کے دوران مقامی سطح پر سینٹ کی طلب میں اضافہ ہو گا۔ سینٹ کی طلب میں اضافہ سے سینٹ کی قیمتوں میں استحکام پیدا ہونے کی امکانات بھی موجود ہیں جس کی اشد ضرورت ہے اور اس طرح آمدن میں اضافے کی بھی توقع ہے۔

تقسیم منافع

زیر نظر سال کے دوران بعد از ٹیکس نقصان کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز کی جانب سے مالی سال 30 جون 2020 کیلئے ڈیویڈنڈ نہ دینے کا اعلان کیا گیا ہے۔

ڈائریکٹر رپورٹ

آپ کی کمپنی کے ڈائریکٹر انتہائی مسرت کے ساتھ کمپنی کی آڈٹ شدہ مالیاتی دستاویزات برائے 30 جون 2020 اپنی اور آڈیٹر کی رپورٹ کے ساتھ آپ کی خدمت میں پیش کر رہے ہیں۔

جائزہ

مالی سال اختتامیہ 30 جون 2020 کے دوران پیداوار اور فروخت کے اعداد و شمار ذیل میں پیش کئے جا رہے ہیں:

Description	2020	2019	Variance	
	----- Metric Tons -----			%
Production				
Clinker	258,158	470,245	(212,087)	(45.1)
Cement	197,463	366,649	(169,186)	(46.14)
GGBFS	-	260	(260)	(100)
Dispatches				
Cement	196,251	368,057	(171,806)	(46.68)
Clinker	83,237	188,890	(105,653)	(55.93)
GGBFS	-	260	(260)	(100)
Total	279,488	557,207	(277,719)	(49.84)

آپ کی کمپنی کی جانب سے زیر نظر مالی سال کے دوران کلنکر کی پیداوار 258,158 ٹن رہی ہے اور پیداواری صلاحیت کو 470,245 ٹن فیصد زیر استعمال لایا گیا جبکہ گزشتہ مالی سال کے دوران 85.75 فیصد پیداواری صلاحیت کو زیر استعمال لاتے ہوئے کلنکر کی پیداوار 470,245 ٹن درج کی گئی تھی

صنعتی جائزہ

مالی سال 2019-2020 کے دوران مقامی سطح پر سیمنٹ کی ترسیل میں 1 فیصد کمی کے ساتھ حجم 40.0 ملین ٹن رہا جو کہ اس سے قبل 40.3 ملین ٹن تھا۔ تاہم برآمدات کا حجم 20 فیصد اضافے ساتھ 6.54 ملین ٹن سے بڑھ کر 7.85 ملین ٹن درج کیا گیا ہے۔ رواں سال کے دوران برآمدات کی کارکردگی میں بہتری آئی ہے اور مالی سال اختتامیہ 30 جون 2020 کے دوران برآمدات کی مد میں صنعت کا مجموعی حجم 2 فیصد اضافے کے ساتھ 47.81 ملین ٹن درج کیا گیا ہے جبکہ گزشتہ مالی سال کے دوران یہ حجم 46.88 ملین ٹن درج کیا گیا تھا۔

جنوبی ریجن میں مقامی سطح پر مال کی ترسیل میں 29.37 فیصد کمی آئی ہے جس کے بعد مال کی ترسیل گزشتہ مالی سال 7.98 ملین ٹن کے مقابلے میں زیر نظر مالی سال کے دوران 5.64 ملین ٹن درج کی گئی ہے۔ جبکہ دوسری جانب برآمدات میں 46.47 فیصد اضافہ درج کیا گیا ہے جس کے بعد گزشتہ مالی سال کے برآمداتی حجم 4.01 ملین ٹن کے مقابلے میں زیر نظر مالی سال کے دوران برآمدات کا حجم 5.88 ملین ٹن درج کیا گیا ہے۔

حکومت کی جانب سے ٹیکس اصلاحات متعارف کروانے، ایکسل لوڈ کی پالیسی نافذ کرنے اپنے صارفین کو پہچاننے سے متعلق جو مشروط پالیسیاں متعارف کروائی گئی تھیں ان کی وجہ سے معیشت سست روی کا شکار ہوئی ہے اور ملک کے اندر تعمیراتی کام بھی بری طرح متاثر ہوئے ہیں۔ ان وجوہات کی بناء پر سیمنٹ کی طلب میں بھی کمی واقع ہوئی ہے اور سیمنٹ کی پوری صنعت کی فروخت کے حجم اور منافع پر منفی اثرات مرتب ہوئے ہیں۔

مزید برآں، کووڈ 19 سے پھیلنے والی وباء کے نتیجے میں مقامی اور بین الاقوامی سطح پر بالخصوص مالی سال کی چوتھ سہ ماہی کے دوران لاک ڈاون کی صورت حال برقرار رہی۔ اس صورت حال کی وجہ سے مقامی اور بین الاقوامی مارکیٹوں پر زبردست منفی اثرات مرتب ہوئے ہیں۔ ان حالات میں قومی سطح پر بنیادی ڈھانچے سے متعلق تمام پروجیکٹس تھم چکے تھے، معمول کی معاشی سرگرمیاں متاثر ہوئیں اور سیمنٹ کی صنعت سمیت تمام معاشی سیکٹر بری طرح متاثر ہوئے اور سیمنٹ سیکٹر کی فروخت میں بے حد کمی واقع ہوئی ہے۔

COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2020

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGES (%)
1	Directors, Chief Executive Officer and their spouse and minor children	7	3,625	0.004
2	Associated Companies, undertakings and related parties	4	51,058,286	51.203
3	NIT and ICP	-	-	-
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	2	11,837,835	11.871
5	Insurance Companies	2	45,100	0.045
6	Modarbas and Mutual Funds	2	2,871,580	2.880
7	General Public (a) Local (b) Foreign	2,467 120	25,425,033 3,077,165	25.497 3.086
8	Others	29	5,399,501	5.415
	TOTAL	2,633	99,718,125	100.00

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY			
TOTAL PAID-UP CAPITAL OF THE COMPANY		99,718,125	SHARES
10% OF THE PAID-UP CAPITAL OF THE COMPANY		9,971,813	SHARES
NAME OF SHAREHOLDER	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE
Sky Pak Holding (Private) Limited	Falls in Category # 2	21,152,787	21.21%
Al-Miftah Holding (Private) Limited	Falls in Category # 2	14,895,118	14.94%

PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL

AS AT JUNE 30, 2020

No. of shareholders	Shareholdings		Total shares held
	From	To	
232	1	100	2,382
740	101	500	361,948
362	501	1000	347,910
672	1001	5000	1,932,750
245	5001	10000	2,004,388
99	10001	15000	1,291,660
73	15001	20000	1,358,720
42	20001	25000	991,500
22	25001	30000	639,000
8	30001	35000	264,000
18	35001	40000	696,916
7	40001	45000	304,000
24	45001	50000	1,193,500
12	50001	55000	637,000
7	55001	60000	411,500
1	60001	65000	65,000
2	65001	70000	139,000
3	70001	75000	219,750
1	75001	80000	76,500
1	80001	85000	85,000
1	85001	90000	87,000
2	90001	95000	185,000
5	95001	100000	500,000
3	100001	105000	312,000
1	115001	120000	118,500
1	120001	125000	124,500
1	125001	130000	129,500
2	130001	135000	270,000
1	135001	140000	140,000
1	140001	145000	144,000
1	150001	155000	150,500
1	155001	160000	156,000
1	160001	165000	161,000
1	165001	170000	168,000
1	175001	180000	177,500
1	180001	185000	184,000
1	190001	195000	195,000
4	195001	200000	798,500
1	200001	205000	201,500
1	205001	210000	208,500
1	225001	230000	229,500
1	230001	235000	230,500
1	245001	250000	250,000
2	250001	255000	505,000
1	270001	275000	275,000

No. of shareholders	Shareholdings		Total shares held
	From	To	
1	285001	290000	285,500
1	295001	300000	298,500
1	325001	330000	328,000
1	385001	390000	390,000
1	395001	400000	396,500
1	400001	405000	405,000
1	415001	420000	416,000
1	420001	425000	424,000
2	495001	500000	1,000,000
1	500001	505000	501,000
1	520001	525000	525,000
1	600001	605000	605,000
1	775001	780000	780,000
1	995001	1000000	1,000,000
1	1365001	1370000	1,368,580
1	1500001	1505000	1,503,000
1	1955001	1960000	1,957,000
1	3370001	3375000	3,375,000
1	5715001	5720000	5,715,500
1	6530001	6535000	6,531,291
1	8460001	8465000	8,462,835
1	8475001	8480000	8,479,090
1	14895001	14900000	14,895,118
1	21150001	21155000	21,152,787
2,633			99,718,125

KEY OPERATING AND FINANCIAL STATISTICS OF SIX YEARS

	2020	2019	2018	2017	2016	2015
-----Rupees in thousands-----						
Summary of Statement of Financial Position						
Assets Employed						
Property, plant and equipment	2,021,470	2,086,685	2,199,535	2,055,402	2,173,000	2,149,869
Intangible assets	-	-	2,800	5,793	6,485	6,418
Long term deposits	1,096	1,096	1,096	1,096	1,096	1,096
Long term investment - Available for sale	-	-	-	-	164,768	279,341
Long term investment in subsidiary	299,158	299,158	299,158	299,158	299,158	299,158
Current assets	1,155,376	1,223,161	1,637,106	1,533,877	1,300,122	823,233
	<u>3,477,100</u>	<u>3,610,100</u>	<u>4,139,695</u>	<u>3,895,326</u>	<u>3,944,629</u>	<u>3,559,115</u>
Financed by						
Shareholders equity	2,464,579	2,618,906	2,556,790	2,440,620	2,074,969	1,673,500
Long term financing	-	-	87,817	319,750	1,026,684	1,215,380
Current portion of long term financing	-	87,817	231,933	231,933	231,933	69,398
	-	87,817	319,750	551,683	1,258,617	1,284,778
Long term deposits & deferred liabilities	303,904	315,909	305,347	289,105	204,469	152,392
Current liabilities	708,617	675,285	1,189,741	845,851	638,507	517,843
Current portion of long term financing	-	(87,817)	(231,933)	(231,933)	(231,933)	(69,398)
	708,617	587,468	957,808	613,918	406,574	448,445
Total funds invested	<u>3,477,100</u>	<u>3,610,100</u>	<u>4,139,695</u>	<u>3,895,326</u>	<u>3,944,629</u>	<u>3,559,115</u>
Summary of Statement of Profit or Loss						
Turnover	1,755,227	3,468,411	2,842,538	3,656,723	2,846,147	2,304,404
EBITDA	(9,133)	488,591	689,237	1,089,909	903,011	517,344
EBIT	(96,781)	345,938	562,098	943,029	791,004	473,468
% Change in Sales	(49.39)	22.02	(22.26)	28.48	23.51	5.59
% Change in EBITDA	(101.87)	(29.11)	(36.76)	20.70	74.55	(12.78)
% Change in EBIT	(127.98)	(38.46)	(40.39)	19.22	67.07	(13.07)
Gross profit	52,100	671,967	756,004	1,163,029	913,844	645,901
Operating (loss) / profit	(122,952)	349,465	563,202	913,686	728,181	512,899
(Loss) / profit before tax	(140,934)	295,318	497,371	855,306	666,009	417,007
(Loss) / profit after tax	(158,018)	213,522	356,860	581,993	614,443	289,274
Accumulated profit carried forward	1,367,680	1,522,007	1,459,891	1,343,721	913,548	431,766
(Loss) / earnings per share (Rupees)	(1.58)	2.14	3.58	5.84	6.16	2.90

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Thatta Cement Company Limited will be held at Beach Luxury Hotel, M. T. Khan Road, Karachi on October 26, 2020 at 03:00 p.m. to transact the following business:

A. Ordinary Business

1. To confirm the minutes of Annual General Meeting of the shareholders held on October 21, 2019.
2. To receive, consider and adopt Annual Audited Unconsolidated Financial Statements of the Company together with the Directors' and the Auditors' reports thereon for the year ended June 30, 2020, together with the Annual Audited Consolidated Financial Statements of the Company and the Auditors' report thereon for the year ended June 30, 2020.
3. To appoint external auditors of the Company for the year ending on June 30, 2021 and fix their remuneration. The present auditors, M/s Grant Thornton Anjum Rahman, Chartered Accountants, shall stand retired on the conclusion of AGM. The Board of Directors, on the recommendation of the Audit Committee, has recommended the appointment of M/s BDO Ebrahim & Co. Chartered Accountants, as external auditors of the Company, for the year ending on June 30, 2021 till conclusion of the next AGM.

B. Special Business

4. Investment (Loan/advance) under section 199 of the Companies Act, 2017

To consider and, if deem fit, to pass with or without any amendment/ modification following resolutions as special resolutions:

RESOLVED that the time period for providing advance/loan facility to Thatta Power(Private) Limited, the Subsidiary Company, to the extent of total amount of Rs. 300 million as approved/renewed by the shareholders in the Annual General Meeting held on October 21, 2019, be and is hereby extended further for a period of one year till the holding of next Annual General Meeting to be held on or before October 27, 2021, to meet the requirements of Regulation 5(7) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 dated December 6, 2017.

FURTHER RESOLVED that the Chief Executive and the Company Secretary be and are hereby jointly authorized to take and do and / or cause to be taken or done any / all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds, and things which are necessary, incidental and / or consequential to the investment (loans and advances) of the Company's funds as above as and when required at the time of investment.

The statement as required under section 134(3) of the Companies Act, 2017 is being sent to the members with the notice.

5. To transact any other business with the permission of the Chair.

Karachi : October 05, 2020

By Order of the Board

Muhammad Abid Khan
Company Secretary

Notes:

1. The Share Transfer Books of the Company shall remain closed from Monday, October 19, 2020 to Monday, October 26, 2020 (both days inclusive). Transfers received in order at our Share Registrar/Transfer Agent M/s THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400 at the close of business on Friday October 16, 2020 shall be treated in time for the purpose of Annual General Meeting.

2. A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the registered office of the Company duly stamped and signed not later than 48 hours before the time for holding the meeting. A member cannot appoint more than one proxy. Attested copy of the member's Computerized National Identity Card (CNIC) must be attached with the form. For any other relevant aspects, contents of section 137 of Companies Act, 2017 will apply.
3. CDC Account Holders will further have to follow the undermentioned guidelines, as laid down in Circular No. 1 of 2000 of SECP dated January 26, 2000.

For Attending the Meeting

- In case of Individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his / her identity by showing his / her original CNIC or original passport at the time of attending the meeting.
- Members registered on Central Depository Company (CDC) are also requested to bring their particulars, ID Number and account number in Central Depository System (CDS).
- In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with proxy Form to the Company.

For appointing the proxies

- In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the Proxy Form as per the above requirement.
 - Proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the Form.
 - Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
 - The Proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with Proxy Form to the Company.
4. As per Section 72 of the Companies Act, 2017, every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e. May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC-account with any of the brokers or Investor Account Directly with CDC to place their physical shares into scrip form, this will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

5. In terms of SECP's circular no. 10 of 2014 read with provisions contained under section 132 and 134 of the Act, if the Company receives request/demand from members holding in aggregate 10% or more shareholding residing at a geographical location to participate in the meeting through video conference at least 07 days prior to the date of meeting. The Company will arrange video conference facility in that city, subject to availability of such facility in that city.

The Company will intimate members regarding venue of the video-link facility at least two days before the date of the general meeting along with complete information necessary to enable them to access the facility.

In this regard, please fill the following form and submit to the Registered Office of the Company 7 days before holding of the general meeting.

I/We _____ of _____ being a member of Thatta Cement Company Limited, holder of _____ Ordinary shares as per Registrar Folio No _____ hereby opt for video conference facility at _____.

Signature of Member

6. In accordance with the provisions of Section 223 of the Companies Act, 2017, the audited financial statements of the Company for the year ended June 30, 2020 are available on the Company's website.
7. SECP has notified through SRO No 470(I)/2016 dated May 31, 2016, in continuation of an earlier SRO No 787(I)/2014 dated September 8, 2014, whereby subject to the approval of shareholders' in the general meeting the listed companies have been allowed to disseminate Annual Audited Accounts to the shareholders in soft form i.e. through CD/DVD/USB instead of transmitting the said accounts in hard copies. Accordingly, approval was obtained from shareholders in the Annual General Meeting held on September 27, 2016 to disseminate Annual Audited Accounts to the shareholders in soft form i.e. through CD/DVD/USB instead of transmitting the said accounts in hard copies.

In addition to above, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditor's report and directors report etc. alongwith the notice of Annual General Meeting through email. For this purpose, we hereby provide you an opportunity to send us your written consent alongwith your valid email ID to provide you the same at your valid email ID.

For your convenience, a Standard Request Form has been made available at our website -www.thattacement.com - either to opt to receive future annual reports through email or in hard copies or otherwise request for hard copy of the accounts if and when needed. The scanned copy of the duly filled & signed form may be emailed to the Company Secretary at CSTCCL@thattacement.com or the same can be submitted through post/courier to Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400.

8. For any query/problem/information, shareholders may contact the Company and/or Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400.
9. Shareholders are requested to notify immediately to Company's Shares Registrar of any change in their address or their particulars.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

Material facts concerning special business at the Annual General Meeting are given below:
Investment (Loan/Advance) under section 199 of the Companies Act, 2017

In terms of Regulation 4(2) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 dated December 6, 2017, every listed company which has obtained approval of shareholders, under section 199 of the Companies Act, 2017 in Annual General Meeting of the Company, has to provide the status of decision taken by shareholders including any change in terms and conditions of that investment /loan/advance. The Company in its preceding Annual General Meeting held on October 21, 2019 had sought extension in time for providing loan/advance facility to its associated company/undertaking under section 199 of the Companies Act, 2017 for a period of one year till the holding of next Annual General Meeting. Therefore, approval for extension in time for a further period of one year is required to be obtained from shareholders in Annual General Meeting to be held on October 26, 2020. Accordingly, approval is hereby sought from shareholders, in terms of Regulation No. 5(7) of aforesaid Regulations, following information is given below:

Description	Information required
Name of Subsidiary Company	Thatta Power (Private) Limited
Total Investment approved	Rs 300 million
Amount of Investment made to date	Rs 'Nil' million as at June 30, 2020 (Rs Nil as on June 30, 2019)
Reasons for not having made complete investment so far where resolution required it to be implemented in specified time.	<p>Approval for loan/advance facility to the Subsidiary Company for an aggregate amount of Rs 300 million was initially obtained from the shareholders in the Annual General Meeting held on October 16, 2015 based on estimated requirements of funds by the Subsidiary Company. The said facility was renewed for a further period of one year in the last Annual General Meeting held on October 21, 2019.</p> <p>Subsequent to resumption of power supply to HESCO since January 2017, HESCO is paying monthly invoice on the basis of tariff determined by NEPRA. Hence, the requirements for utilization of funds from holding company reduced to 'Nil' as at June 30, 2020.</p> <p>However, increasing trade debts of subsidiary company as of June 30, 2020 which mainly represents receivable from HESCO indicates that there is a delay in recovery of electricity bills issued to HESCO which may require financial support to the Subsidiary Company to honor its financial obligations and to meet its working capital requirements and in turn enable it to provide uninterrupted supply of electricity to its Holding Company for sustainable cement production.</p> <p>Therefore, renewal of loan / advance facility for the Subsidiary Company is essential for its continued business operations on the terms and conditions renewed by the shareholders in their preceding Annual General Meeting and on the same terms and conditions as per the agreement between Thatta Cement Company Limited and Thatta Power (Private) Limited.</p> <p>Unless specifically authorized by members in general meeting, the special resolution authorizing investment in associated undertaking shall be valid for a period of twelve months and shall</p>

Description	Information required
	<p>stand lapse after such period as provided in regulation no. 6 of the aforesaid Regulations.</p> <p>In view of aforesaid reasons, it is therefore proposed to extend the time for a further period of one year till the holding of next Annual General Meeting due to be held on or before October 27, 2021.</p>
4. Material change in financial statements of associated company or undertaking since the resolution passed for making investment in said company or undertaking.	<ol style="list-style-type: none"> 1. Receivable from HESCO increased to Rs. 801.23 million as of June 30, 2020 (Rs. 684.38 million: June 30, 2019). 2. Waste Heat Recovery Project [WHRP] of Subsidiary Company for generating 5 MW electricity has started its commercial operations during the year.

This statement is annexed to the Notice of the Annual General Meeting of the Company to be held on October 26, 2020 at which a special business is to be transacted and the purpose of this statement is to set out all the material facts concerning such special business in terms of sections 134(3) and 199 of the Companies Act, 2017 read with Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 dated December 6, 2017. The directors have no additional interest except to the extent of their shareholding in the Company.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Thatta Cement Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Thatta Cement Company Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.


As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Paragraph	Description
19	The human resource and remuneration committee shall meet atleast once in a financial year as per regulation 28 (3) of the Listed Companies (Code of Corporate Governance) Regulations, 2019. However, no meeting was held during the year.


Grant Thornton Anjum/Rahman
Chartered Accountants
Place: Karachi
Date:

30 SEP 2020

Statement of Compliance with Listed Companies [Code of Corporate Governance] Regulations, 2019

For the year ended June 30, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following details:
 - a. Male: six
 - b. Female: one
2. The composition of the board is as follows:

Independent Directors:	four
Other Non-Executive Directors:	two
Executive Director:	one
Female Director:	one
3. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company;
4. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 ['Act'] and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following:

Mr. Khawaja Muhammad Salman Younis - Chairman
Ms. Naheed Memon - Director
Mr. Agha Sher Shah - Director
Mr. Saleem Zamindar - Director
Mr. Noor Muhammad - Director
Mr. Muhammad Aslam Shaikh - Chief Executive
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The board has formed following Committees as required under CCG, 2019 which comprises of members given below:

	Name of Members	Audit Committee
1.	Mr. Saleem Zamindar	Chairman of Committee
2.	Mr. Khawaja Muhammad Salman Younis	Member
3.	Mr. Noor Muhammad	Member

	Name of Members	Human Resource and Remuneration Committee
1.	Mr. Agha Sher Shah	Chairman of Committee
2.	Ms. Naheed Memon	Member
3.	Mr. Muhammad Aslam Shaikh	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following:

Name of Committee	Number of Meetings held during year from July 1, 2019 to June 30, 2020
Audit Committee	Five
Human Resource and Remuneration Committee	-

15. The Board has outsourced the internal audit function and also appointed a Head of Internal Audit who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. We have not complied with the requirement of Regulation 28 (3) which states that "the Human Resource and Remuneration committee shall meet at least once in a financial year". Due to the ongoing coronavirus pandemic, we deferred the committee meeting and the same was conducted in July 2020.



Muhammad Aslam Shaikh
Chief Executive



Khawaja Muhammad Salman Younis
Chairman

Karachi: September 30, 2020

UNCONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020



Grant Thornton

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THATTA CEMENT COMPANY LIMITED

Report on the audit of the unconsolidated financial statements

Opinion

We have audited the annexed unconsolidated financial statements of **Thatta Cement Company Limited** (the Company), which comprise the unconsolidated statement of financial position as at **June 30, 2020**, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of cash flows for the year then ended, the unconsolidated statement of changes in equity, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matters
<p>Existence and valuation of inventories</p> <p>Refer Notes 11 to the unconsolidated financial statements, and 'stock-in-trade' which includes limestone, coal, slag, gypsum, iron ore, shale and clinker which are stored in purpose built shed and stockpiles. Since the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volume by using an angle of repose and the bulk density. Due to the significance of the stock balances and related estimations involved, this is considered a key audit matter.</p>	<p>Our audit procedures to assess the existence and valuation of inventories, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the stock; • Attended the physical inventory count performed by the Company; and • Assessed the reasonableness of management's measurement of stockpiles during the physical count at year end and reviewed the conversion to the unit of volume.
<p>Revenue</p> <p>Refer Notes 5.16 & 27 to the unconsolidated financial statements.</p> <p>The Company is engaged in the production and sale of cement and clinker.</p> <p>The Company recognized revenue from the sales of cement and clinker of Rs. 1.75 billion during the year.</p> <p>We considered revenue as a key audit matter identifying revenue as one of the key performance indicators of the Company which gives rise to an inherent risk that it could be subject to misstatement to meet expectations or targets.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process relating to recognition of revenue and testing the design and implementation of key internal controls over recording of revenue; • Compared a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Compared, on a sample basis, specific sale transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period;

Key audit matters	How our audit addressed the key audit matters
	<ul style="list-style-type: none"> • Compared the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation; • Reviewed the adequacy of disclosure as required under applicable financial reporting framework.

Information other than the unconsolidated financial statements and the Auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020, but does not include the unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the unconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences

of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.


Grant Thornton Anjum Rahman
Karachi

Date: 30 SEP 2020

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THATTA CEMENT COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

		2020	2019
		----- Rupees in thousands -----	
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,021,470	2,086,685
Intangible assets	7	-	-
Long term investment in Subsidiary	8	299,158	299,158
Long term deposits	9	1,096	1,096
Total non-current assets		2,321,724	2,386,939
CURRENT ASSETS			
Stores, spare parts and loose tools	10	339,360	314,592
Stock-in-trade	11	410,190	389,192
Trade debts	12	136,330	197,809
Advances	13	6,597	5,673
Trade deposits and prepayments	14	4,058	6,478
Other receivables and accrued interest	15	17,703	18,921
Taxation - net	16	218,673	217,726
Cash and bank balances	17	22,465	72,770
Total current assets		1,155,376	1,223,161
Total assets		3,477,100	3,610,100
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	18	997,181	997,181
Share premium		99,718	99,718
Accumulated profit		1,367,680	1,522,007
Total shareholders' equity		2,464,579	2,618,906
NON-CURRENT LIABILITIES			
Long term financing	19	-	-
Long term deposits	20	2,791	4,297
Long term employee benefit	21	15,963	17,744
Deferred taxation	22	285,150	293,868
Total non-current liabilities		303,904	315,909
CURRENT LIABILITIES			
Trade and other payables	23	390,389	292,087
Unclaimed dividend		2,039	2,540
Accrued mark-up	24	9,645	7,761
Current maturity of long term financing	19	-	87,817
Short term borrowings	25	306,544	285,080
Total current liabilities		708,617	675,285
Total equity and liabilities		3,477,100	3,610,100
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

THATTA CEMENT COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

	Note	2020 ----- Rupees in thousands -----	2019
Sales - net	27	1,755,227	3,468,411
Cost of sales	28	(1,703,127)	(2,796,444)
Gross profit		52,100	671,967
Selling and distribution cost	29	(89,760)	(220,258)
Administrative expenses	30	(85,292)	(102,244)
		(175,052)	(322,502)
Operating (loss) /profit		(122,952)	349,465
Other operating expenses	31	(19,107)	(34,633)
Finance cost	32	(44,153)	(50,620)
		(63,260)	(85,253)
Other income	33	45,278	31,106
(Loss) / profit before taxation		(140,934)	295,318
Taxation	34	(17,084)	(81,796)
(Loss) / profit for the year		(158,018)	213,522
		----- Rupees -----	
(Loss) / earnings per share - basic and diluted	35	(1.58)	2.14

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020 ----- Rupees in thousands -----	2019
(Loss) / profit for the year		(158,018)	213,522
Other comprehensive income			
Items to be reclassified to unconsolidated statement of profit or loss in subsequent years		-	-
Items not to be reclassified to unconsolidated statement of profit or loss in subsequent years			
Remeasurement gain / (loss) of defined benefit liability	23.1.4	3,691	(7,812)
Total comprehensive (loss) / income for the year		(154,327)	205,710

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(140,934)	295,318
Adjustment for:			
Depreciation on property, plant and equipment	6.2	87,648	139,853
Amortization on intangibles	7	-	2,800
Provision / (reversal) for slow moving & obsolete stores and impairment of major stores & spares	6.3 & 10.1	1,127	4,733
Finance cost	32	43,110	50,620
Provision for gratuity	23.1.4	17,262	13,412
Provision for leave encashment	21.4	2,808	3,518
Provision for doubtful debt		897	2,182
Property, plant and equipment written off	30	3	249
Workers' Welfare Fund	31	-	6,740
Workers' Profit Participation Fund	23.3	1,043	16,639
(Gain) / loss on disposal of property, plant and equipment	33	(104)	20
		153,794	240,766
Operating cash flows before working capital changes		12,860	536,084
Working capital changes			
(Increase) / decrease in stores, spare parts and loose tools		(24,281)	297,136
(Increase) / decrease in stock-in-trade		(20,998)	139,535
Decrease / (increase) in trade debts		60,582	(109,007)
(Increase) / decrease in advances		(924)	173
Decrease in trade deposits and prepayments		2,420	12,883
Decrease in other receivable and accrued interest		1,218	81,986
Increase / (decrease) in trade and other payables		108,575	(280,255)
		126,592	142,451
Cash generated from operations		139,452	678,535
Finance cost paid		(41,226)	(50,743)
Gratuity paid	23.1.4	-	(19,984)
Leave encashment paid	21.4	(4,589)	(1,658)
Workers' Welfare Fund paid		(7,946)	(8,970)
Workers' Profit Participation Fund paid	23.3	(16,941)	(27,391)
Income tax paid - net		(26,749)	(81,235)
		(97,451)	(189,981)
Net cash generated from operating activities		42,001	488,554

THATTA CEMENT COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

of the year ended 31st March, 2020

		2020	2019
	Note	----- Rupees in thousands -----	
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(24,050)	(33,154)
Proceeds from disposal of property, plant and equipment		104	123
Net cash used in investing activities		(23,946)	(33,031)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(87,817)	(231,933)
Dividend paid		(501)	(142,405)
Long term deposits (paid) / received		(1,506)	820
Net cash used in financing activities		(89,824)	(373,518)
Net (decrease) / increase in cash and cash equivalents		(71,769)	82,005
Cash and cash equivalents at beginning of the year	36	(212,310)	(294,315)
Cash and cash equivalents at end of the year	36	(284,079)	(212,310)

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Share Capital	Reserves		Total Shareholders' Equity
		Capital	Revenue	
		Share premium	Accumulated profit	
	Rupees in thousands			
Balance as at July 1, 2018	997,181	99,718	1,459,891	2,556,790
Transactions with owners recorded directly in equity				
Final dividend @ Rs. 1.44 per share for the year ended June 30, 2018	-	-	(143,594)	(143,594)
Total comprehensive income for the year				
Profit for the year	-	-	213,522	213,522
Other comprehensive income				
Remeasurement of defined benefit liability	-	-	(7,812)	(7,812)
	-	-	205,710	205,710
Balance as at June 30, 2019	997,181	99,718	1,522,007	2,618,906
Balance as at July 1, 2019	997,181	99,718	1,522,007	2,618,906
Total comprehensive income for the year				
Loss for the year	-	-	(158,018)	(158,018)
Other comprehensive income				
Remeasurement of defined benefit liability	-	-	3,691	3,691
	-	-	(154,327)	(154,327)
Balance as at June 30, 2020	997,181	99,718	1,367,680	2,464,579

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

1 STATUS AND NATURE OF BUSINESS

Thatta Cement Company Limited (the Company) was incorporated in Pakistan in 1980 as a public limited Company. The shares of the Company are quoted at the Pakistan Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENT

2020 2019

----- Rupees in thousands -----

2.1 Sales - net

1,755,227	3,468,411
-----------	-----------

During the period, the sales of the Company has decreased by approximately Rs. 1.7 billion as a consequence of lower demand of cement in the south region due to economic depression prevailing in the Country. The construction related activities also remained affected and resulted in lower sales volume due to unstable political conditions and budget cuts by the Government since beginning of the fiscal year.

2.2 Current maturity of long term financing

During the year outstanding balance of syndicated term finance facility (STFF) has been repaid fully amounting to Rs. 87.817 million.

2.3 Impact of Coronavirus - COVID-19

The outbreak of pandemic Coronavirus (COVID-19) resulted in strict lock-down situation at both local and global levels. This also resulted in labour and logistics issues, stagnation in construction activities and even suspension of business operations of the Company. This situation coupled with other factors has adversely affected the production and revenues of the Company. The management believes that due to the pandemic the Company's operations, financial position and results have been impacted only on a temporary basis and believes that as normalcy comes about, these impacts will begin to recede.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

These unconsolidated financial statements are being submitted to the shareholders as required under section 223 of the Companies Act 2017 and the Pakistan Stock Exchange Regulations.

3.2 Basis of measurement

These unconsolidated financial statements have been prepared under historical cost convention except as otherwise disclosed in the respective accounting policy notes.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

3.3 Financial year

The Company's financial year starts from July 1 and ends at June 30.

3.4 Functional and presentation currency

These unconsolidated financial statements have been prepared & presented in Pakistani Rupee, which is the Company's functional and presentation currency.

3.5 Use of estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these unconsolidated financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the unconsolidated financial statements as at and for the year ended June 30, 2019.

Management has made the following estimates and judgments which are significant to these unconsolidated financial statements:

a) Useful lives and residual values of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment (note 5.1 & 6.1). The Company also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

b) Intangible assets

The Company's management determines the estimated useful lives and related amortization charge for its intangibles (note 5.3 & 7). The Company also reviews the value of the intangibles for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of intangibles with a corresponding effect on the amortization charge and impairment.

c) Impairment of assets

The Company reviews its provision for loss allowance at each reporting date to assess whether provision should be recorded in the unconsolidated statement of profit or loss (note 5.4 & 12). In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about number of factors and actual results may differ, resulting in future changes to the provision.

d) Net realizable value of Stock-in-trade and stores & spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values (note 5.6, 5.7 & 10). Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores & spares and corresponding effect in unconsolidated statement of profit or loss of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sale.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

e) Provision for taxation

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Company's future taxable profits are taken into account.

f) Contingencies

The assessment of contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events with respect to evaluation based on element of issue involved and opinion of the legal counsel (note 26).

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these unconsolidated financial statements for actuarial valuation of present value of defined benefit obligation and leave encashment (note 5.9, 21 & 23.1). Change in these assumptions in future years may affect the liability under the schemes in those years.

h) Impairment of investments

The Company determines that a significant and prolonged decline in the fair value of its investments below its cost is an objective evidence of impairment (note 5.5 & 8). The impairment loss is recognized when the carrying amount exceeds the higher of fair value less cost to sell and value in use.

4 STANDARDS, AMENDMENTS OR INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE YEAR

4.1 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective date (Annual periods beginning on or after)
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 16 'Leases'	July 1, 2019
IAS 12 'Income tax consequences of payments on financial instruments classified as equity'	January 1, 2019
IAS 23 Borrowing costs eligible for capitalization	January 1, 2019
IFRS 3 Previously held interest in a joint operation	January 1, 2019
IFRS 9 Prepayment features with negative compensation	January 1, 2019
IFRS 11 Previously held interest in a joint operation	January 1, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019
IAS 28 'Long-term Interests in Associates and Joint Ventures' (Amendments to IAS 28)	January 1, 2019
IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019

Adoption of the above standard have no significant effect on the amounts for the year ended June 30, 2020.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to the published standards and interpretations will be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 7, IFRS 9, and IAS 39 - Interest Rate Benchmark Reform	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP).

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 'Insurance Contracts'	January 1, 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards	July 1, 2009

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below and have been consistently applied to all years presented.

5.1 Property, plant and equipment

Property, plant and equipments (except freehold land) are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Depreciation on property, plant and equipment

Depreciation is charged using straight line method on all assets except on plant and machinery (other than utilities within plant and machinery) on which depreciation is charged by applying 'Units of Production (UoP) method'. Depreciation rates of each item is mentioned in note 6.1. Depreciation on addition is charged from the date when the asset is available for use and on disposal upto the date when the asset is classified as 'held for sale' in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' or the date when the asset is derecognized, whichever is earlier. Asset's residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. Normal maintenance and repairs are charged to unconsolidated statement of profit or loss as and when incurred whereas major renewals and improvements are capitalized.

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipments and is recognised in unconsolidated statement of profit or loss.

5.1.1 Capital work-in-progress (CWIP)

Capital work-in-progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

5.2 Government grant

Government grants related to assets are presented by deducting the grant amount in arriving at the carrying amount of the asset. The grant is recognized in unconsolidated statement of profit or loss over the useful life of the asset as reduced by depreciation expense.

5.3 Intangible assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of an asset can be measured reliably. Cost of intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use. Costs associated with maintaining computer software are recognized as an expense as and when incurred. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of an asset on a systematic basis applying the straight line method. Useful lives of all intangible assets are reviewed at each reporting date and adjusted if the impact of amortization is significant. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

5.4 Impairment

Financial assets

The Company recognize an allowance for expected credit loss on all financial assets carried at amortized cost irrespective whether a loss event has occurred. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets (deposits, other receivables and cash and bank balances) i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the unconsolidated statement of profit or loss.

Non-Financial assets

The carrying amounts of non-financial assets other than stock in trade and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the unconsolidated statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5.5 Investments

Investment in subsidiaries

Investment in subsidiaries are initially recognized at cost. The carrying amount of investment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount but limited to the extent of initial cost of investment. A reversal of impairment loss is recognized in the unconsolidated statement profit or loss account.

Investment in associates

Investment in associates are initially recognized at cost. The carrying amount of investment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount but limited to the extent of initial cost of investment. A reversal of impairment loss is recognized in the unconsolidated statement of profit or loss.

5.6 Stores, spare parts and loose tools

These are stated at lower of cost (calculated on weighted average basis) and net realisable value, less provision for dead and slow moving stores and spares. Store and spares in transit are valued at invoice value plus other charges incurred thereon as on the unconsolidated statement of financial position.

Provision for dead and slow moving stores, spare parts and loose tools is determined based on management's estimate regarding their future usability.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost necessary to be incurred to make the sale.

5.7 Stock-in-trade

Stock of raw and packing material, work in process and finished goods are valued at the lower of cost or net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at cost on weighted average basis. Stocks in transit are valued at cost comprising of invoice value plus other charges directly attributable to the acquisition of related purchase incurred up to the date of unconsolidated statement of financial position.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessary to be incurred in order to make the sale.

5.8 Cash and cash equivalents

Cash and cash equivalents in local currency are carried in the unconsolidated statement of financial position at cost and cash in foreign currencies are stated at the exchange rate prevailing at the statement of financial position date. For the purposes of the unconsolidated cash flow statement, cash and cash equivalents comprises of cash in hand, cash with banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

5.9 Employee retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme covering all permanent employees. The scheme is administered by the trustees nominated under the Trust Deed. The liability recognized in respect of gratuity is the present value of the Company's obligations under the scheme at the date of unconsolidated statement of financial position less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method.

The present value of obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds. The government bonds are consistent with the estimated term of the post-employment benefit obligations.

Defined contribution plan

The Company also operates an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees at the rate of 10% of basic salary.

Leave encashment

The liability for accumulated earned leaves which are eligible for encashment relating to permanent employees are recognised on the basis of actuarial valuation in the period in which permanent employees render service that increases their entitlement to future leave encashment.

5.10 Borrowings and finance cost

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing cost incurred on long term finances directly attributable to the construction / acquisition of qualifying asset are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to unconsolidated statement of profit or loss.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

5.11 Taxation

Current

Provision for current taxation is computed in accordance with the provisions of Income Tax Ordinance, 2001. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior years including those arising from assessment and amendments in assessments during the year in such years.

Deferred

The Company accounts for deferred taxation on all temporary differences using balance sheet liability method. Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

5.12 IFRIC-23 "Uncertainty over income tax treatments"

The Company has adopted IFRIC-23 - Uncertainty over income tax treatments which clarifies how the recognition and measurement requirements of IAS-12 - Income taxes are applied when there is uncertainty over income tax treatment. IFRIC-23 explains how the recognition and measurement of deferred and current income tax assets and liabilities when there is uncertainty over tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over income tax that will be accepted by tax authorities. IFRIC-23 applies to all aspect of income tax accounting, when there is a uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. While there are new disclosure requirements, entities are reminded of the general requirements to provide information about judgement and estimates made in preparing the unconsolidated financial statements.

The Company is already in compliance with the requirements of IFRIC-23.

5.13 Trade and other payables

These are recognized and carried at cost which is fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at date of statement of financial position and adjusted to reflect the best estimate.

5.15 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices except for Business Support Services for which the pricing mechanism is subject to approval of the Board of Directors.

5.16 Revenue recognition

Revenue is recognized when control of a promised goods passes to a customer. It is measured at the fair value of the consideration received or receivable, sales tax and other duties collected on behalf of third parties are not taken into account.

Company primarily generates revenue from sale of cement for which the control passes to the customer at a specific point in time.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The revenue is recorded on the basis of the consideration defined in the contract with the customer, including variable consideration such as discount, volume rebates or other contractual price reductions; if any.

Interest and rental / other income is recognized on accrual basis.

5.17 Financial assets and liabilities

5.17.1 Financial assets

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in unconsolidated statement of profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in unconsolidated statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these statement of financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in unconsolidated profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value or amortized cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the unconsolidated statement of profit or loss for the period in which it arises.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

5.17.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in unconsolidated statement of profit or loss.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in unconsolidated statement of profit or loss.

5.18 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

5.19 Segment reporting

Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, mainly comprises of corporate assets, head office expenses and tax assets and liabilities. Management has determined that the Company has a single reportable segment and therefore it has only presented entity wide disclosures.

5.20 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees using the exchange rates prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in Pak Rupees using the exchange rates prevailing on the date of unconsolidated statement of financial position. All exchange differences are taken into unconsolidated statement of profit or loss.

5.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5.22 Dividends and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved.

6 PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		----- Rupees in thousands -----	
Operating fixed assets	6.1	1,959,623	2,039,815
Major stores and spares	6.3	61,847	46,870
Capital work-in-progress	6.4	-	-
		<u>2,021,470</u>	<u>2,086,685</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

6.1 Operating fixed assets

	2020										
	COST					Depreciation rate per annum	ACCUMULATED DEPRECIATION				
	As at July 1, 2019	Additions	Disposals	Adjustment (Note 6.1.1)	As at June 30, 2020		As at July 1, 2019	Charge for the year (Note 6.2)	Accumulated depreciation on disposals	Adjustment (Note 6.1.1)	As at June 30, 2020
	Rupees in thousands						Rupees in thousands				
Freehold land	6,186	-	-	-	6,186	-	-	-	-	-	6,186
Leasehold improvements	2,585	-	-	-	2,585	20%	2,585	-	-	-	-
Quarries and improvements	11,963	-	-	-	11,963	5%	11,828	9	-	-	11,837
Factory building on freehold land	246,642	-	-	-	246,642	10%	216,863	5,559	-	-	222,422
Electrical installations	59,265	-	-	-	59,265	5%	20,601	2,560	-	-	23,161
Housing colonies	74,096	-	-	-	74,096	5%	59,251	990	-	-	60,241
Office building on freehold land	22,281	-	-	-	22,281	5%	19,095	212	-	-	19,307
Plant and machinery	3,425,864	4,878	-	-	3,430,742	UoP	1,531,264	65,142	-	-	1,596,406
Quarry equipments	19,296	-	-	-	19,296	20%	18,915	88	-	-	19,003
Railway sidings	14,905	-	-	-	14,905	10%	14,047	172	-	-	14,219
Vehicles	65,175	-	(1,075)	-	64,100	10% & 20%	54,358	5,334	(1,075)	-	58,617
Furniture and fixtures	11,030	-	-	(7)	11,023	10%	8,271	553	-	(6)	8,819
Office & other equipments	18,538	-	-	(32)	18,506	10%	8,338	1,759	-	(30)	10,067
Medical equipments	629	-	-	-	629	10%	627	1	-	-	628
Laboratory equipments	70,332	1,437	-	-	71,769	10%	42,929	4,954	-	-	47,883
Computers	20,646	1,144	-	(114)	21,676	30%	20,645	315	-	(114)	20,846
	<u>4,069,433</u>	<u>7,459</u>	<u>(1,075)</u>	<u>(153)</u>	<u>4,075,664</u>		<u>2,029,618</u>	<u>87,648</u>	<u>(1,075)</u>	<u>(150)</u>	<u>2,116,041</u>
											<u>1,959,623</u>

	2019										
	COST					Depreciation rate per annum	ACCUMULATED DEPRECIATION				
	As at July 1, 2018	Additions	Disposals	Adjustment (Note 6.1.1)	As at June 30, 2019		As at July 1, 2018	Charge for the year (Note 6.2)	Accumulated depreciation on disposals	Adjustment (Note 6.1.1)	As at June 30, 2019
	Rupees in thousands						Rupees in thousands				
Freehold land	6,186	-	-	-	6,186	-	-	-	-	-	6,186
Leasehold improvements	2,585	-	-	-	2,585	20%	2,585	-	-	-	-
Quarries and improvements	11,963	-	-	-	11,963	5%	11,819	9	-	-	11,828
Factory building on freehold land	246,642	-	-	-	246,642	10%	211,304	5,559	-	-	216,863
Electrical installations	58,848	417	-	-	59,265	5%	18,049	2,552	-	-	20,601
Housing colonies	74,096	-	-	-	74,096	5%	58,261	990	-	-	59,251
Office building on freehold land	22,281	-	-	-	22,281	5%	18,883	212	-	-	19,095
Plant and machinery	3,219,867	206,276	-	(279)	3,425,864	UoP	1,418,116	113,182	-	(34)	1,531,264
Quarry equipments	18,857	439	-	-	19,296	20%	18,689	226	-	-	18,915
Railway sidings	14,905	-	-	-	14,905	10%	13,875	172	-	-	14,047
Vehicles	66,515	-	(1,340)	-	65,175	10% & 20%	45,876	9,720	(1,238)	-	54,358
Furniture and fixtures	11,030	-	-	-	11,030	10%	7,720	551	-	-	8,271
Office & other equipments	18,549	207	(211)	(7)	18,538	10%	6,759	1,754	(171)	(4)	8,338
Medical equipments	629	-	-	-	629	10%	626	1	-	-	627
Laboratory equipments	69,496	836	-	-	70,332	10%	38,158	4,771	-	-	42,929
Computers	20,668	-	-	(22)	20,646	30%	20,512	154	-	(21)	20,645
	<u>3,863,117</u>	<u>208,175</u>	<u>(1,551)</u>	<u>(308)</u>	<u>4,069,433</u>		<u>1,891,232</u>	<u>139,853</u>	<u>(1,409)</u>	<u>(59)</u>	<u>2,029,618</u>
											<u>2,039,815</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

6.1.1 The adjustment represents write off of certain items of operating fixed assets that have been taken out from active use as they are no longer usable and are in unserviceable condition.

6.2 Allocation of depreciation

The depreciation on property, plant & equipment for the year has been allocated as under:

Note

2020	2019
----- Rupees in thousands -----	
84,636	135,637
789	773
2,223	3,443
<u>87,648</u>	<u>139,853</u>

6.3 Major stores and spares

Cost
Opening balance
Additions during the year
Transferred to operating fixed assets and capital work-in-progress
Closing balance

84,175	86,644
24,050	12,217
(7,459)	(14,686)
<u>100,766</u>	<u>84,175</u>

Accumulated impairment
Opening balance
Impairment charge for the year
Closing balance
Net book value

(37,305)	(31,546)
(1,614)	(5,759)
<u>(38,919)</u>	<u>(37,305)</u>
<u>61,847</u>	<u>46,870</u>

6.4 Capital work-in-progress

Plant and Machinery

June 30, 2020

Opening balance	Capital expenditure incurred	Transferred to operating fixed assets and store & spares	Closing balance
-	-	-	-
172,552	18,001	(190,553)	-

June 30, 2019

7 INTANGIBLE ASSETS

Cost

2020	2019
----- Rupees in thousands -----	

Amortization on intangibles
Opening balance
Charge for the year
Closing balance

30

10,465	10,465
(10,465)	(7,665)
-	(2,800)
<u>(10,465)</u>	<u>(10,465)</u>
<u>-</u>	<u>-</u>

Net book value

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
8 LONG TERM INVESTMENT IN SUBSIDIARY			
Thatta Power (Private) Limited (TPPL)	8.1 & 8.2	<u>299,158</u>	<u>299,158</u>
8.1	The Company owns 62.43% shareholding of TPPL as at June 30, 2020 (2019: 62.43%). The principal business of the Subsidiary is generation, supply and transmission of electrical power. As at June 30, 2020 TPPL has authorized and issued Share Capital of Rs. 500 million and Rs. 479.16 million divided into 50,000,000 and 47,915,830 ordinary shares respectively. Investment in subsidiary is accounted and carried on the basis of cost.		
8.2	Thatta Cement Company Limited has pledged its investment in shares of TPPL in favour of National Bank of Pakistan (NBP) as the security trustee against syndicate term finance facility extended by NBP and other syndicate banks to TPPL.		
8.3	Investments in associated companies or undertakings have been made in accordance with the requirements of the Act.		
9 LONG TERM DEPOSITS			
Long term deposits are given in the normal course of business and do not carry any interest or mark-up.			
	Note	2020	2019
		----- Rupees in thousands -----	
10 STORES, SPARE PARTS AND LOOSE TOOLS			
Coal and other fuels		163,933	128,020
Stores & spare parts		201,678	213,314
Loose tools		105	101
		<u>365,716</u>	<u>341,435</u>
Provision for obsolete stores		(3,871)	(5,231)
Provision for slow moving stores and spares		(22,485)	(21,612)
	10.1	<u>(26,356)</u>	<u>(26,843)</u>
		<u>339,360</u>	<u>314,592</u>
10.1 Movement in provision			
Opening balance		(26,843)	(27,869)
Reversals during the year		487	1,026
Closing balance		<u>(26,356)</u>	<u>(26,843)</u>
11 STOCK-IN-TRADE			
Raw material	28.1	18,587	20,399
Packing material	28.2	36,962	46,208
Work-in-process	28	303,363	286,583
Finished goods	28	51,278	36,002
		<u>410,190</u>	<u>389,192</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
12 TRADE DEBTS			
Considered good			
Local - unsecured		136,330	197,809
Considered doubtful			
Cement stockiest	12.1	60,801	60,801
Excessive rebate allowed	12.1	6,101	6,101
Controller military accounts		5,126	5,126
Other customers		2,182	2,182
Provision as per IFRS 9		897	-
		75,107	74,210
Provision for loss allowance		(75,107)	(74,210)
		136,330	197,809
12.1	This includes balances outstanding for more than ten years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Company whose services had been terminated, when the Company was operating under State Cement Corporation of Pakistan (SCCP). Accordingly, the management had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs. 2.276 million in preceding years. The Company is continuously following with NAB officials for early realisation of amount owed to the Company and has also written letters in this regard for which reply has not yet been received, therefore provision has been maintained in respect of outstanding amount as a matter of prudence and abundant precaution.		
13 ADVANCES	Note	2020	2019
		----- Rupees in thousands -----	
Considered good - unsecured			
- to vendors		6,405	5,473
- others		192	200
		6,597	5,673
14 TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits	14.1	1,734	1,534
Prepayments		2,324	4,944
		4,058	6,478
14.1	Trade deposits are given in the normal course of business and comprises of earnest money and security deposits. These do not carry any interest or mark-up.		
15 OTHER RECEIVABLES AND ACCRUED INTEREST	Note	2020	2019
		----- Rupees in thousands -----	
Interest receivable from banks		-	2,309
Deposit with Commissioner Workmen's Compensation	26.1.14	14,915	14,915
Others		2,788	1,697
		17,703	18,921
16 TAXATION - NET	16.1	218,673	217,726
16.1	It mainly includes an amount of Rs. 217.726 million representing tax refundable for the tax year 2015, 2016, 2017, 2018 & 2019.		

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

17	CASH AND BANK BALANCES	Note	2020	2019
			----- Rupees in thousands -----	
	Cash in hand		2,575	2,481
	Balances with banks			
	- in current accounts	17.1	10,199	2,689
	- in profit and loss sharing (PLS) accounts	17.1,17.2,17.3	9,691	67,600
			19,890	70,289
			22,465	72,770
17.1	These accounts are maintained with commercial banks under conventional banking system.			
17.2	During the year, the mark-up rates on PLS accounts ranges from 6.5% to 11.25% (2019: 3% to 6.5%) per annum.			
17.3	This includes Rs. Nil (2019: Rs. 62.794 million) in PLS accounts under lien with National Bank of Pakistan, as Security Trustee, in accordance with the covenants of syndicated term finance facility agreements. These funds are to be used in accordance with the conditions mentioned in said financing agreement.			
18	SHARE CAPITAL			
	2020	2019	2020	2019
	--- Number of shares ---		----- Rupees in thousands -----	
	Authorized share capital			
	200,000,000	200,000,000	2,000,000	2,000,000
	Ordinary shares of Rs. 10 each.			
	Issued, subscribed and paid-up share capital			
	89,418,125	89,418,125	894,181	894,181
	Ordinary shares of Rs. 10/- each			
	- shares allotted for consideration paid in cash			
	10,300,000	10,300,000	103,000	103,000
	Ordinary shares of Rs. 10/- each			
	- shares allotted for consideration other than cash			
	99,718,125	99,718,125	997,181	997,181
18.1	The Company has only one class of ordinary shares which carries no right to fixed income. The shareholders are entitled to receive dividend as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.			
19	LONG TERM FINANCING			
		Note	2020	2019
			----- Rupees in thousands -----	
	Loan from Banking companies - secured			
	Syndicated term finance facility (STFF)	19.1	-	87,817
	Less : current maturity		-	(87,817)
			-	-

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 19.1** This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Silk Bank Limited. The facility carries mark-up at rates ranging between 14.92% to 15.86% (2019: 8.89% to 14.92%) per annum payable quarterly. The tenure of financing is 8 years including grace period of 2 years and the facility is payable in 24 equal quarterly installments of Rs. 57.983 million each starting from June 17, 2016. During the year, Rs. 87.817 million has been re-paid against quarterly installment. The facility is secured by first joint pari passu charge by way of hypothecation over all present and future fixed assets and mortgage over the immovable properties. Unless the entire amount of loan has been repaid, the Company has to seek prior approval of the majority members of the syndicated term finance facility before declaration of any dividend.

	Note	2020	2019
----- Rupees in thousands -----			
20 LONG TERM DEPOSITS			
Dealers	20.1	2,110	2,110
Suppliers and contractors	20.2	681	2,187
		<u>2,791</u>	<u>4,297</u>

- 20.1** These relate to dealers against whom recovery proceedings are in process with National Accountability Bureau (NAB) and are adjustable against the amount owed by them to the Company (refer note: 12.1).

- 20.2** These represent interest free security deposits, received from dealers, suppliers & contractors. These are kept in separate bank account and repayable / adjustable on cancellation or withdrawal of dealership and completion of contract in case of suppliers and contractors.

21 LONG TERM EMPLOYEE BENEFIT

This represents accrual for encashment of eligible earned leave balances in respect of permanent employees. Principal actuarial assumptions used for determining leave encashment liability are same as are used for gratuity actuarial valuation as disclosed in note 21.2.

- 21.1** The amount recognised as liability in the unconsolidated statement of financial position is as follows:

	Note	2020	2019
----- Rupees in thousands -----			
Present value of defined benefit obligation	21.2	15,792	17,744
Benefits due but not paid (payables)		171	-
Closing net liability		<u>15,963</u>	<u>17,744</u>
21.2 Movement in present value of defined benefit obligation			
Opening balance		17,744	15,723
Current service cost	21.3	1,247	1,203
Interest cost	21.3	2,189	1,348
Benefits due but not paid (payables)		(171)	-
Benefits paid		(4,589)	(1,497)
Remeasurement (gain) / loss due to change in experience adjustments	21.3	(628)	967
Present value of defined benefit obligation		<u>15,792</u>	<u>17,744</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

21.3 The amount recognised in unconsolidated statement of profit or loss is as follows:

	Note	2020	2019
----- Rupees in thousands -----			
Current service cost	21.2	1,247	1,203
(Gain) / loss arising on present value of defined benefit obligation	21.2	(628)	967
Interest cost on defined benefit obligation	21.2	2,189	1,348
	21.4	<u>2,808</u>	<u>3,518</u>

21.4 Movement in liabilities

Opening net liability		17,744	15,884
Charge for the year	21.3	2,808	3,518
Benefits paid		(4,589)	(1,658)
Closing net liability		<u>15,963</u>	<u>17,744</u>

21.5 Sensitivity analysis (± 100 bps) on present value of defined benefit obligation

	Discount rate		Salary increase	
	+100 bps	- 100 bps	+100 bps	- 100 bps
----- Rupees in thousands -----				
2020	14,635	17,149	17,127	14,635
2019	16,676	18,963	18,929	16,689

21.6 The charge for the year has been allocated as follows:

	Note	2020	2019
----- Rupees in thousands -----			
Cost of sales		2,090	2,724
Selling and distribution cost		118	131
Administrative expenses		600	663
		<u>2,808</u>	<u>3,518</u>

22 DEFERRED TAXATION

Taxable temporary differences arising in respect of Accelerated tax depreciation		349,349	333,992
Deductible temporary differences arising in respect of Other provisions - for doubtful debts and stores		(40,608)	(40,124)
Minimum Tax u/s 113	22.1	(23,591)	-
	22.2	<u>285,150</u>	<u>293,868</u>

22.1 The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

22.2 Movement in deferred tax

2020

Opening deferred tax
Deferred tax liability
Deferred tax asset
Deferred tax expense
Closing deferred Tax

Deductible temporary differences	Taxable temporary differences	Total
----- Rupees in thousands -----		
(40,124)	333,992	293,868
-	15,357	15,357
(24,075)	-	(24,075)
(24,075)	15,357	(8,718)
(64,199)	349,349	285,150

2019

Opening deferred tax
Deferred tax liability
Deferred tax asset
Deferred tax expense
Closing deferred Tax

(39,433)	325,419	285,986
-	8,573	8,573
(691)	-	(691)
(691)	8,573	7,882
(40,124)	333,992	293,868

23 TRADE AND OTHER PAYABLES

Trade creditors
Accrued liabilities
Bills payable
Advances from customers
Excise duty and sales tax payable
Payable to Gratuity Fund
Payable to Provident Fund
Workers' Profit Participation Fund
Workers' Welfare Fund
Other liabilities

Note

2020 2019

----- Rupees in thousands -----

38,287	32,944
123,162	145,596
123,881	6,728
30,536	31,724
33,795	29,452
34,795	21,224
1,518	-
-	15,898
-	7,946
4,415	575
390,389	292,087

23.1 Payable to Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit (PUC) Actuarial Cost Method as at June 30, 2020 are as follows:

- Discount rate used for year end obligation is 8.50 % per annum (2019: 14.25% per annum).
- Discount rate used for interest cost in unconsolidated statement of profit or loss charge is 14.25 % per annum (2019: 9.00% per annum)
- Expected rate of increase in salary level at 7.5% per annum (2019: 13.25% per annum).
- Mortality rate used is SLIC 2001-2005 (2019: SLIC 2001-2005).

23.1.1 The amount recognised in the unconsolidated statement of financial position is as follows:

	Note	2020	2019
----- Rupees in thousands -----			
Present value of defined benefit obligation	23.1.2	90,172	93,877
Fair value of plan assets	23.1.3	(55,377)	(72,653)
Closing net liability		34,795	21,224

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
23.1.2 Movement in present value of defined benefit obligation			
Opening net liability		93,877	79,230
Current service cost		14,332	12,522
Interest cost		11,725	6,765
Benefits paid		(21,875)	(7,915)
Benefits due but not paid		(1,313)	(194)
Remeasurement (gain) / loss due to change in experience adjustments	23.1.6	(6,574)	3,469
Closing net liability		<u>90,172</u>	<u>93,877</u>
23.1.3 Movement in the fair value of plan assets			
Opening fair value of plan assets		72,653	59,246
Expected return / interest income on plan assets	23.1.7	8,795	5,875
Employer contribution		-	19,984
Benefits paid		(21,875)	(7,915)
Benefit due but not paid		(1,313)	(194)
Return on plan assets excluding interest income	23.1.7	(2,883)	(4,343)
Closing fair value of plan assets	23.1.9	<u>55,377</u>	<u>72,653</u>
23.1.4 Movement in liabilities			
Opening net liability		21,224	19,984
Charge for the year	23.1.5	17,262	13,412
Employer contribution		-	(19,984)
Remeasurements chargeable in other comprehensive income		(3,691)	7,812
Closing net liability		<u>34,795</u>	<u>21,224</u>
23.1.5 The amount recognised in unconsolidated statement of profit or loss is as follows:			
Current service cost		14,332	12,522
Interest cost		11,725	6,765
Expected return / interest income on plan assets		(8,795)	(5,875)
		<u>17,262</u>	<u>13,412</u>
23.1.6 The amount recognised in unconsolidated statement of other comprehensive income is as follows:			
Remeasurement (gain) / loss due to changes in assumption and experience adjustments	23.1.2	(6,574)	3,469
Return on plan assets excluding interest income	23.1.3	2,883	4,343
		<u>(3,691)</u>	<u>7,812</u>
23.1.7 Return on plan assets is as follows:			
Expected return / interest income on plan assets	23.1.3	8,795	5,875
Return on plan assets excluding interest income	23.1.3	(2,883)	(4,343)
		<u>5,912</u>	<u>1,532</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

23.1.8 Analysis of present value of defined benefit obligation and fair value of plan assets

	2020	2019	2018	2017	2016
	----- Rupees in thousands -----				
Present value of defined benefit obligation	(90,172)	(93,877)	(79,230)	(84,760)	(69,270)
Fair value of plan assets	55,377	72,653	59,246	70,434	54,805
Deficit	(34,795)	(21,224)	(19,984)	(14,326)	(14,465)

23.1.9 Disaggregation of fair value of plan assets

The fair value of the plan assets at statement of financial position date for each category is as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
Cash and cash equivalents (adjusted for current liabilities)		(890)	1,083
Mutual islamic funds		16,558	26,570
Certificate of islamic investments		39,709	45,000
	23.1.3	55,377	72,653

23.1.10 Sensitivity analysis (± 100 bps) on present value of defined benefit obligation

	Discount rate		Salary increase	
	+100 bps	- 100 bps	+100 bps	- 100 bps
	----- Rupees in thousands -----			
2020	85,181	95,864	96,012	84,959
2019	88,660	99,805	99,960	88,430

23.1.11 The charge for the year has been allocated as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
Cost of sales	28	12,282	9,785
Selling and distribution cost	29	1,143	866
Administrative expenses	30	3,837	2,761
	23.1.5	17,262	13,412

23.2 The following information is based on the audited financial statements of the Provident fund:

Size of the Fund - Total assets		85,909	92,996
Cost of investments made		85,252	95,344
Percentage of investments made		100%	98%
Fair value of investments	23.2.1	85,800	91,259

23.2.1 Fair value of investment is held by Provident fund

	2020		2019	
	Rupees in thousands	%	Rupees in thousands	%
Bank balances	13,682	16%	4,035	4%
Term deposit	36,111	42%	55,152	60%
Mutual funds	36,007	42%	32,072	36%
	85,800	100%	91,259	100%

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

23.2.2 The investments out of Provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

	Note	2020	2019
		----- Rupees in thousands -----	
23.3 Workers' Profit Participation Fund (WPPF)			
Opening balance		15,898	26,650
Allocation for the year	31	-	15,898
Interest on opening balance	32	1,043	741
		16,941	43,289
Payments made during the year		(16,941)	(27,391)
Closing balance		-	15,898
24 ACCRUED MARK-UP			
Syndicated term finance facility		-	467
Short term borrowing		8,457	7,294
Gratuity Fund		1,188	-
		9,645	7,761
25 SHORT TERM BORROWINGS			
Short-term running finance (secured)	25.1	306,544	285,080
25.1	The aggregate running finance facilities available from banks as at June 30, 2020 amounted to Rs. 500 million (2019: Rs. 600 million) out of which Rs. 193.456 million (2019: Rs. 314.92 million) remained unutilized at the year end. The facilities aggregating to Rs. 400 million are secured by way of first pari passu charge over current assets & ranking charge on fixed assets with 25% margin. The remaining facilities aggregating to Rs. 200 million are secured by way of first pari passu hypothecation charge over all plant & machinery and ranking hypothecation charges over all current assets with 25% margin. These facilities are renewable annually and carry mark-up at 3-months KIBOR plus 1.25% to 3% p.a (2019: 3-months KIBOR plus 1.5% - 3% p.a).		
26 CONTINGENCIES AND COMMITMENTS			
26.1 Contingencies			
26.1.1	During the year 2014-2015, Deputy Commissioner Inland Revenue (DCIR) passed an assessment order under section 122(1)(5) of the Income Tax Ordinance, 2001 in respect of Tax Year 2014 raising a tax demand of Rs. 78.35 million by making certain disallowances and additions in taxable income as reported in the tax return of that year. The Company filed an appeal with the Commissioner Inland Revenue - Appeals (CIR-A) against which the adverse order was passed by the CIR(A). Therefore, appeal has been filed before Appellate Tribunal Inland Revenue (ATIR) on February 19, 2016 against the said order relating to certain add backs/disallowances, which is pending for hearing. In view of Company's tax consultant, the Company has an arguable case on merit; however, definite outcome cannot be predicted.		
26.1.2	During the year 2013-14, the Additional Commissioner Inland Revenue - (ACIR) issued assessment order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain disallowances and additions in taxable income thereby raising a tax demand of Rs. 2.787 million in respect of Tax Year 2008. The Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) The management is confident that the Company has an arguable case on merits, however definite outcome cannot be predicted. Hence, no provision is required to be made in these unconsolidated financial statements.		

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 26.1.3** The Deputy Commissioner Inland Revenue (DCIR) has issued Assessment Orders in 2014-2015 raising an aggregate sales tax demand for Rs. 5.989 million by disallowing certain input tax claimed by the Company in its sales tax return for tax period from July 2012 to February 2015. The Company had filed appeals against such Assessment Orders before Commissioner Inland Revenue (CIR-A) who has passed orders aggregating to Rs. 5.91 million in favor of the Company. During the year ended June 30, 2016, tax department has filed appeals against the said orders before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing. In view of Company's tax consultant, favorable outcome of such appeals are anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.4** In respect of tax periods from July 2012 to December 2014, an Order in Original (ONO) has been issued by an Officer of Sales Tax in 2014-2015 against the Company raising a demand of Rs. 244.274 million which is mainly based on comparison of industry average for fuel and power consumption with that of the Company and thereby presuming the production quantities which in the view of tax authorities have not been subject to Sales Tax and Federal Excise Duty. Accordingly, the Company has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the ONO passed by Officer of Sales Tax, however CIR-A decided the case against the Company. Accordingly, the Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A. Moreover, recovery proceedings were also initiated by tax authorities in the matter for an aggregate demand amount of Rs 488.548 million including 100% penalty on the principal amount as aforesaid. Therefore, the Company filed a stay application against the said aggregate demand before Sindh High Court. The Sindh High Court has allowed ad interim relief against recovery of demand and refrained tax authorities to take any adverse action in this respect. During the year ended June 30, 2017, Appellate Tribunal Inland Revenue (ATIR) has passed an order in favor of the Company. During the year ended June 30, 2018, the Commissioner Inland Revenue has filed an appeal in the High Court of Sindh against the order passed by Appellate Tribunal Inland Revenue in favor of the Company. The matter is pending for adjudication. In view of Company's legal counsel, the case is sound in law, however definite outcome cannot be predicted with any degree of certainty.
- 26.1.5** During the year ended June 30, 2018, an Order in Original (ONO) has been issued by Deputy Commissioner Inland Revenue (DCIR) against the Company in respect of tax periods from July 2013 to August 2017 raising a demand of Rs. 56.632 million by disallowing certain input tax claimed by the Company in its sales tax returns for the aforesaid tax periods. The Company has filed an appeal on March 28, 2018 against the ONO passed by DCIR before Commissioner Inland Revenue - Appeals (CIR-A). The appeal has been decided in favor of the Company. The Commissioner Inland Revenue has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the order passed by (CIR-A) in favor of the Company. The matter is pending for adjudication. In view of Company's tax consultant, favorable outcome of such appeals are anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.6** During the year ended June 30, 2018, Deputy Commissioner Inland Revenue (DCIR) passed an order under section 161/205 of the Income Tax Ordinance, 2001 (the Ordinance) in respect of tax year 2017 raising a tax demand of Rs. 94.670 million including default surcharge and penalty aggregating to Rs 15.208 million on the ground that Company has not deducted applicable withholding taxes while making payments for purchases & certain expenses and hence made default under section 161/205 of the Ordinance. The Company has filed an appeal on May 4, 2018 before Commissioner Inland Revenue - Appeals (CIR-A) against the order passed by DCIR. The CIR-A has passed an order in favor of the Company. However, Commissioner Inland Revenue, Zone II, Large Taxpayer Unit, Karachi has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order of Commissioner Inland Revenue - Appeals (CIR-A) passed in favor of the Company. In view of Company's tax consultant, favorable outcome of such appeals are anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.7** During the year ended June 30, 2019, Assistant Commissioner Inland Revenue (ACIR) has passed an order under section 122(1) of the Income Tax Ordinance, 2001 (the Ordinance) in relation to tax audit conducted under section 177 of the Ordinance, in respect of tax year 2016. Through the said order, ACIR has disallowed deduction of certain expenses, deductible allowance of WPPF and tax credit claimed under section 65B of the Ordinance amounting to Rs 28.497 million, Rs 35.768 million and Rs 16.915 million respectively. The Company has filed an appeal on September 13, 2018 before Commissioner Inland Revenue - Appeals (CIR-A) against the order passed by ACIR. While deciding the appeal, CIR-A has allowed deduction of Rs 28.497 million whereas deduction allowance of WPPF and tax credit under section 65B were upheld by CIR-A. Therefore, the Company has filed an appeal on November 12, 2018 before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A on the said disallowances which is pending for hearing. In view of Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these unconsolidated financial statements.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 26.1.8** Deputy Commissioner Inland Revenue (DCIR) issued an order-in-original (ONO) dated June 28, 2019 in respect of sales tax audit for the tax period from July 2017 to June 2018 raising a demand of Rs. 7.452 million (including default surcharge and penalty) by disallowing certain input tax claimed by the Company in its sales tax return for the aforesaid tax period. The Company filed an appeal before Commissioner Inland Revenue-Appeals (CIR-A) against ONO issued by DCIR. While deciding appeal, CIR-A has deleted the disallowances of input tax amounting to Rs. 7.086 million and confirmed disallowance amounting to Rs. 0.011 million. The Department has filed an appeal against the CIR-A's Order before the Appellate Tribunal Inland Revenue Karachi. The case is not yet fixed for hearing. In view of Company's tax consultant, favourable outcome of such appeal is anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.9** Showcause notice u/s 122 (5A) of the ITO, 2001 dated February 15, 2019 was issued by Additional Commissioner Inland Revenue (ACIR) Zone II, LTU containing observations relating to self-assessment order u/s 120 of ITO, 2001 for the tax year 2017. The Company explained observations and attended hearings from time to time. However, learned ACIR passed Amended Assessment Order dated July 02, 2019 raising a demand of 34.094 million by disallowing certain expenses and tax credits. Such disallowances include fuel adjustment of Rs. 3.678 million, reduction in b/f tax credit u/s 65B of ITO, 2001 relating to tax year 2016 and disallowance of WPPF contribution. Management of the Company has filed the appeal against the impugned order before Commissioner Inland Revenue-Appeals (CIR-A). The CIR-Appeals annulled the assessment order vide his order no. 18 dated September 06, 2019. On November 21, 2019, ACIR issued notice to the company for further clarification/explanation regarding fuel adjustment, WPPF and WWF to pass the appeal effect order. The management of the Company provided the required clarification/explanation, however, appeal effect order has not yet been passed by ACIR.
- 26.1.10** On September 05, 2019, an Order in Original (ONO) has been issued by Deputy Commissioner Inland Revenue (DCIR) against the Company in respect of Sales tax audit for the tax period from July 2018 to December 2019 raising a demand of Rs. 0.150 million including default surcharge and penalty by disallowing certain input tax amounting to Rs. 0.143 million claimed by the Company in its sales tax returns for the aforesaid tax period. The Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the said order. In view of Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.11** The Deputy Commissioner Inland revenue (DCIR) has issued showcause notice dated September 05, 2019 to the Company for the Tax Year 2019 and disallowed input tax amounting to Rs. 24.2 million on some taxable purchases and services received by the Company for the purpose of business during the period from July 01, 2018 to June 30, 2019. In response to showcause notice, the Company attended hearings from time to time and provide documents, explanations and supporting evidences. However, the Learned DCIR has passed an order in original (ONO) on February 13, 2020 disallowing input tax to the extent of Rs. 0.951 million. The Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the said order. In view of Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.12** The learned DCIR has issued an order dated February 26, 2020 as a result of monitoring of withholding taxes under Income Tax Ordinance, 2001 for tax year 2018. DCIR raised a demand of Rs. 0.499 million (including default surcharge and penalty) on the grounds that company has not deducted applicable withholding taxes at the time of making payments of certain expenses and hence made default under section 161/205/182 of the Income Tax Ordinance. The Company has filed an appeal before Commissioner Inland Revenue Appeals (CIR-A) against the order passed by DCIR which is pending for hearing. In view of Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.13** Deputy Commissioner Inland Revenue (DCIR) issued a notice on January 31, 2020 under Section 177 of the Income Tax Ordinance, 2001 for the purpose of Income Tax audit of the Company for the Tax Year 2015. The Company attended hearings from time to time and provided supporting documents and explanations against the audit observations raised by DCIR. However, the learned DCIR passed an amended assessment order on April 28, 2020 and raised the tax demand of Rs. 0.6 million by disallowing certain admissible expenses including leave encashment, donation expense, salary expense and Tax credit u/s 65B. The Company has filed an appeal before Commissioner Inland Revenue - Appeal (CIR-A) against the disallowances which is pending for hearing. In view of Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these unconsolidated financial statements.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 26.1.14** Certain ex-employees of the Company contested the Company's gratuity policy of 30 days and filed a Suit against the Company demanding 60 days gratuity as applicable to the employees of former holding company having an impact of Rs. 14.9 million. The said Suit has been decided in favor of the applicants. However, the Company challenged the said order vide C.P. no. 591/2013, before the Sindh High Court at Hyderabad and later on filed Labor Appeal No. 04/2014, before the Sindh Labor Court No. VI at Hyderabad being the Court of appropriate jurisdiction. After dismissal of the said appeal, a revision application has been filed before the Sindh Labor Appellate Tribunal, Karachi. The Tribunal also dismissed the appeal and hence C.P. no. D - 2636 has been filed on November 2, 2015 before the Honorable High Court of Sindh at Hyderabad wherein stay has been granted by the High Court. The matter is pending for disposal. In view of the Company's legal counsel, no definite outcome can be anticipated but the Company has a good case.
- 26.1.15** An ex-employee of the Company had filed CP # 86/2013 on May 21, 2013 for recovery of Rs. 2.10 million out of which an amount of Rs. 0.248 million has been claimed on account of 60 days gratuity and numerous other false and fabricated claims of short payments of Rs. 1.86 million. In view of the Company's legal counsel, the Company has a good case whereas no definite outcome can be estimated.
- 26.1.16** Ex-workers of Labor Contractor had filed applications against the Company before the Labor Court at Hyderabad for reinstatement of their services which were not maintainable therefore, dismissed by the Court. The decision has been challenged vide Appeal no. Hyd-25/2016, Hyd-26/2016, Hyd-27/2016 and Hyd-28/2016 before the Sindh Labor Appellate Tribunal in Karachi. During the year ended June 30, 2018, Sindh Labor Appellate Tribunal has disposed of the appeals filed by ex-workers of contractor by awarding them the compensation instead of reinstatement of their services. The Company has challenged the said decision on January 5, 2018 before the High Court of Sindh, Hyderabad. In view of the Company's legal counsel, the Company has a good case whereas no definite outcome can be estimated.
- 26.1.17** During the year ended June 30, 2017, an ex-employee of the Company had filed a Suit no. 51/2017 on July 5, 2017 for recovery of damages, salaries and mesne profit amounting to Rs. 197 million in the High Court of Sindh. The said ex-employee was dismissed from the Company's service on November 1, 1999 due to involvement in serious acts of misconduct. The said person has challenged the dismissal before different forums including High Court of Sindh, Federal Services Tribunal and the Supreme Court of Pakistan and lost all the cases. In view of Company's legal counsel, this litigation will also lead to the same fate as detailed above.
- 26.1.18** During the year ended June 30, 2000, two cement dealers had filed Suit no. 150/2001 & 151/2001 against the Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Company in lieu of outstanding dues from these dealers. The matter is pending for adjudication. In view of the Company's legal counsel, no unfavorable outcome can be estimated.
- 26.2 Commitments**
- 26.2.1** Guarantee given by a commercial bank to Sui Southern Gas Company Limited on behalf of the Company amounts to Rs. 45 million (2019: Rs. 45 million).
- 26.2.2** Other outstanding guarantees given on behalf of the Company by banks amount to Rs. 3 million (2019: Rs. 3 million).
- 26.2.3** Irrevocable letter of credit under revenue & capital expenditure as on balance sheet date were Rs. Nil (2019: Rs. 64.196 million) & Rs. Nil (2019: Rs. 32.699 million) respectively.

26.2.4 Operating lease commitments:

0 - 1 year

2020	2019
----- Rupees in thousands -----	
<u>1,916</u>	<u>1,741</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
27	SALES - NET		
Gross Sales	- Local	2,377,892	3,906,289
	- Export	220,822	784,738
		2,598,714	4,691,027
Less:	- Federal Excise Duty	465,677	599,368
	- Sales tax	377,810	623,248
		843,487	1,222,616
	27.1	1,755,227	3,468,411
27.1	The Company's revenue disaggregated by primary geographical markets is as follows.		
	Sale of cement and clinker		
	Primary geographical markets		
	Within Pakistan	1,534,405	2,683,673
	Outside Pakistan	220,822	784,738
		1,755,227	3,468,411
27.2	Company's revenue disaggregated by pattern/timing of revenue recognition is as follows:		
	Timing of revenue recognition		
	Goods transferred at a point in time	1,755,227	3,468,411
28	COST OF SALES		
Raw material consumed	28.1	100,388	193,461
Manufacturing expenses			
Fuel and power		1,118,598	1,775,188
Salaries, wages and other benefits	28.3	280,755	284,857
Depreciation on property, plant & equipment	6.2	84,636	135,637
Packing material consumed	28.2	67,608	150,193
Stores, spare parts and loose tools consumed		54,271	71,093
Vehicle hire, running & maintenance		9,389	11,956
Repairs and maintenance		6,288	16,227
Insurance		5,165	14,576
Other production overheads		4,487	6,126
Communication		1,668	2,294
Provision / (reversal) for slow moving & obsolete stores and impairment of major stores & spares	6.3 & 10.1	1,126	4,733
Entertainment		804	1,544
		1,634,795	2,474,424
Cost of production (balance carried forward)		1,735,183	2,667,885

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
<i>Balance brought forward</i>		1,735,183	2,667,885
Work-in-process			
Opening balance		286,583	408,198
Closing balance	11	(303,363)	(286,583)
		(16,780)	121,615
Cost of goods manufactured		1,718,403	2,789,500
Finished goods			
Opening balance		36,002	42,946
Closing balance	11	(51,278)	(36,002)
		(15,276)	6,944
		1,703,127	2,796,444
28.1 Raw material consumed			
Opening balance		20,399	46,972
Purchases		98,576	166,888
		118,975	213,860
Closing balance	11	(18,587)	(20,399)
	28.1.1	100,388	193,461
28.1.1	It includes royalty amounting to Rs. 4.678 million (2019: Rs. 8.599 million) relating to Lime Stone and Clay Shale, payable to Director General Mines & Mineral Development, Government of Sindh.		
	Note	2020	2019
		----- Rupees in thousands -----	
28.2 Packing material consumed			
Opening balance		46,208	30,611
Purchases		58,362	165,790
		104,570	196,401
Closing balance	11	(36,962)	(46,208)
		67,608	150,193
28.3	This includes employees' retirement benefits amounting to Rs. 21.243 million (2019: Rs. 19.495 million).		

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
29	SELLING AND DISTRIBUTION COST		
Export logistics and related charges		49,852	156,307
Salaries, wages and other benefits	29.1	16,767	17,646
Commission		7,591	13,385
Loading and others		5,546	11,405
Rent, rates and taxes		2,492	2,203
Freight charges - local sale		2,214	11,555
Vehicle running expenses		1,561	1,391
Marking fee expense		812	1,879
Depreciation on property, plant & equipment	6.2	789	773
Sales promotion expenses		635	1,555
Communication		345	313
Travelling and conveyance		327	647
Repair and maintenance		301	270
Entertainment		234	215
Utilities		149	260
Printing and stationery		79	74
Advertisements		59	24
Miscellaneous		7	356
		<u>89,760</u>	<u>220,258</u>

29.1 This includes employees' retirement benefit amounting to Rs. 1.879 million (2019: Rs. 1.602 million).

	Note	2020	2019
		----- Rupees in thousands -----	
30	ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits	30.1	50,260	53,875
Rent, rates and taxes		4,029	3,492
Fees and subscription		3,629	2,187
Education expenses		3,414	6,584
Repairs and maintenance		3,359	3,665
Board, Audit and HR Committee meeting fees		3,020	4,600
Vehicle running expenses		2,731	2,721
Legal and professional charges		2,424	4,735
Depreciation on property, plant & equipment	6.2	2,223	3,443
Other auditors' remuneration	30.4	1,600	1,317
Utilities		1,499	1,726
Auditors' remuneration	30.3	1,325	1,160
Communication, postage, telegram		1,218	1,306
Corporate expenses		759	1,283
Printing and stationery		542	1,879
Charity and donation	30.2	542	1,311
Provision for doubtful debt	12	897	2,182
Entertainment		501	625
Miscellaneous		433	314
Insurance		367	358
Travelling and conveyance		352	79
Advertisements		165	353
Fixed assets written off	6.1.1	3	249
Amortization of intangible assets	7	-	2,800
		<u>85,292</u>	<u>102,244</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 30.1 This includes employees' retirement benefit amounting to Rs. 6.456 million (2019: Rs. 5.683 million).
- 30.2 None of the directors or their spouses have any interest in any donee's fund to which donation was made.

	Note	2020	2019
		----- Rupees in thousands -----	
30.3 Auditor's remuneration			
Annual audit fee		840	867
Half yearly review fee		250	77
Audit fee for unconsolidated financial statements		42	38
Fee for Code of Corporate Governance & other services		49	38
Out of pocket expenses		144	140
		<u>1,325</u>	<u>1,160</u>
30.4 Other auditor's remuneration			
Internal audit fee		1,480	1,197
Out of pocket expenses		120	120
		<u>1,600</u>	<u>1,317</u>
31 OTHER OPERATING EXPENSES			
Workers' Welfare Fund		-	6,740
Workers' Profit Participation Fund	23.3	-	15,898
Loss on disposal of property, plant & equipment		-	20
Exchange loss		16,194	11,975
Loss on sale of store items		173	-
Others		2,740	-
		<u>19,107</u>	<u>34,633</u>
32 FINANCE COST			
Mark-up on long term financing		4,015	24,134
Mark-up on short term borrowings		37,256	25,076
Mark-up on Workers' Profit Participation Fund	23.3	1,043	741
Mark-up on Gratuity Fund	38.1.3	1,188	-
Bank charges and commission		651	669
		<u>44,153</u>	<u>50,620</u>
33 OTHER INCOME			
Income from financial assets			
Income on bank deposit accounts	33.1	4,594	4,926
Markup earned on loan/advance to the Subsidiary	38.3	899	-
		<u>5,493</u>	<u>4,926</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
Income from non-financial assets			
Management fee	33.2	21,259	19,326
Waste heat recovery		11,259	-
Scrap sales		2,533	4,755
Rental income		1,737	1,481
Gain on disposal of property, plant & equipment		104	-
Gain on sale of store items		-	176
Others		2,893	442
		<u>39,785</u>	<u>26,180</u>
		<u>45,278</u>	<u>31,106</u>

33.1 Income earned from bank deposits are under interest / mark-up arrangements with conventional banking system.

33.2 This represents management fee income of Rs. 21.26 million (2019: Rs. 19.33 million) for Business Support Services provided to Thatta Power (Private) Limited, which is a Subsidiary Company.

	2020	2019
	----- Rupees in thousands -----	
34 TAXATION		
Current	25,802	73,914
Deferred	(8,718)	7,882
	<u>17,084</u>	<u>81,796</u>
34.1 Relationship between tax expense and accounting profit		
(Loss) / profit before tax	<u>(140,934)</u>	<u>295,318</u>
Tax at 29%	-	85,642
Tax effect of		
- admissible/inadmissible expenses in determining taxable income - net	-	1,209
- income charged at different rates	2,211	7,860
Tax Credit under section 65B	-	(20,797)
Minimum Tax U/s 113	23,591	-
Tax effect on taxable temporary differences - net	<u>(8,718)</u>	<u>7,882</u>
	<u>17,084</u>	<u>81,796</u>

34.2 The returns of income have been filed upto and including Tax Year 2019 (corresponding to financial year ended June 30, 2019) which are treated as deemed assessment order by Commissioner Inland Revenue under section 120 of Income Tax Ordinance, 2001. However, assessment order(s) including deemed assessment orders may be amended by the CIR within five years from the expiry of the financial year in which such order(s) is issued or further amended within one year from the end of financial year in which such amended orders issued.

Deemed assessment orders in respect of tax years 2015, 2016 and 2017 were amended by CIR.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

34.3 As per section 5A of the Income Tax Ordinance, 2001, in case a public company which does not distributes 20% of its after tax profit for the year within six months of the end of the tax year through cash, a tax at the rate of 5 % of its accounting profit before tax shall be imposed. The Company earned a profit after tax of Rs. 213.522 million for the year ended June 30, 2019, however, keeping in view the lower profitability and foreseeing the challenging conditions faced by cement sector in the year ahead, the Board of Directors did not recommended any dividend for the year ended June 30, 2019.

The Company filed a Constitutional Petition (CP) before the Sindh High Court (SHC) challenging the vires of Section 5A of the Income Tax Ordinance, 2001 and SHC accepted the CP and granted stay against the aforementioned section. In view of Company's legal consultant, favourable outcome is anticipated. Hence no provision for tax liability in this respect has been recorded by the Company in these unconsolidated financial statements.

34.4 During the year, amendment made under section 65B of the Income Tax Ordinance, 2001 through the Finance Act, 2019 whereby the percentage of tax credit on investment in plant and machinery has been reduced from 10% to 5% for the tax year 2019 which is subject to adjustment against the refund or may required to be paid with the Return of Income. Company filed a petition in the high court against the amendment and obtained stay order as the likely impact of the amendment in 65B would be Rs. 10.398 million. The management is confident that the Company has an arguable case on merits. Hence, no provision has been recorded in the unconsolidated financial statements, since till the next date, no adverse action shall be taken against the Company in respect of this case.

35 EARNINGS PER SHARE - BASIC AND DILUTED

35.1 Basic earnings per share

	2020	2019
(Loss) / profit for the year (Rupees in thousands)	(158,018)	213,522
Weighted average number of ordinary shares (number of shares)	99,718,125	99,718,125
(Loss) / earnings per share - basic and diluted (Rupees)	(1.58)	2.14

35.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2020	2019
----- Rupees in thousands -----			
Cash and bank balances	17	22,465	72,770
Short term borrowings	25	(306,544)	(285,080)
		(284,079)	(212,310)

37 CAPACITY AND ACTUAL PRODUCTION

	Note	2020	2019
Production capacity - clinker (tons)	37.1	548,400	548,400
Actual production - clinker (tons)	37.1	258,158	470,245
Actual production - cement (tons)	37.2	197,463	366,649

37.1 The production capacity utilization of clinker during the year has remained at 47.07% (2019: 85.75%).

37.2 Cement from clinker is produced in accordance with the market demand.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

37.3 In the prior years, the 'production capacity' and the resulting 'production capacity utilization' has been understated and overstated respectively. The Company has rectified the same.

38 RELATED PARTY TRANSACTIONS

Related parties comprises of associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions except for Service Level Agreement for business support services with the Subsidiary Company for which the basis are approved by the Board of Directors. Further, contribution to defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity scheme) is in accordance with the actuarial advice. Detail of transactions during the year ended June 30, 2020 and outstanding balances as at June 30, 2020 with related parties are as follows:

38.1 Transaction with related parties

38.1.1 Subsidiary Company

Note

2020

2019

----- Rupees in thousands -----

Thatta Power (Private) Limited			
Common shared expenses		3,879	3,607
Receipts on account of common shared expenses		2,881	3,643
Sales/purchase of store items (inclusive of GST) - net		90	13,523
Receipts/payment on account of purchase of store items - net		522	13,820
Purchase of electricity (inclusive of GST)		604,187	836,925
Payment on account of electricity (inclusive of GST)		608,241	826,924
Management fee claimed (inclusive of SST)		24,022	21,839
Management fee received (inclusive of SST)		17,834	21,673
Loan/advance to the Subsidiary	38.3	58,000	-
Receipts on account of loan/advance to the Subsidiary	38.3	58,000	-
Sale of cement		-	10,778
Receipts on account of sale of cement		380	11,824
Markup earned on loan/advance to the Subsidiary	33	899	-
Receipts on account of markup on loan/advance to the Subsidiary		899	-
Sale of waste heat (inclusive of GST)		13,173	-

38.1.2 Key management personnel

Salaries and benefits	39	56,873	67,281
Sale of vehicles		-	102

38.1.3 Other related parties

Contribution to Employees' Gratuity Fund	23.14	-	19,984
Markup on account of payable to Gratuity Fund	32	1,188	-
Contribution to Employees' Provident Fund		8,753	9,850
Education expenses - Model Terbiat School	30	3,309	6,312

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

38.2 Balances with related parties

38.2.1 Subsidiary Company

Thatta Power (Private) Limited

Payable against purchase of electricity (inclusive of GST)

Receivable against management fee (inclusive of SST)

Receivable against common shared expenses

Receivable against sale/purchase of store items - net

Receivable against sale of cement

Receivable against sale of waste heat (inclusive of GST)

2020 2019

----- Rupees in thousands -----

75,377	79,431
8,008	1,820
1,320	322
61	673
-	380
13,173	-

38.2.2 Other related parties

Payable to Employees' Gratuity Fund

Payable to Employees' Provident Fund

35,983	21,224
754	-

38.3 Loan/advance to the Subsidiary

The Company had sought approval from its shareholders in Annual General Meeting held on October 21, 2019, to provide advance/loan facility aggregating to Rs. 300 million at KIBOR+2.62% to Subsidiary Company to honor its financial obligations and to meet its working capital requirements.

38.4 There are no transactions with key management personnel other than under their terms of employment and as further disclosed under note 39.

39 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these unconsolidated financial statements for the year in respect of remuneration to the Chief Executive, Directors and Executives is as follows:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees in thousands -----			
Managerial remuneration	14,353	29,141	12,000	42,537
Leave fare allowance	725	1,407	303	885
Bonus	1,550	3,354	606	2,148
Retirement benefits	2,113	3,955	1,966	6,439
Other benefits	156	119	157	240
	<u>18,897</u>	<u>37,976</u>	<u>15,032</u>	<u>52,249</u>
Number of person(s)	<u>2</u>	<u>11</u>	<u>1</u>	<u>13</u>

39.1 The Chief Executive, Executive Director and Executives are provided with free use of Company maintained car(s) and other benefits in accordance with their entitlement as per rules of the Company.

39.2 An aggregate amount of Rs. 3.020 million (2019: Rs. 4.6 million) was paid to Non-Executive Directors during the year on account of Board, Audit Committee and HR & Remuneration Committee meeting fee.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

40 OPERATING SEGMENTS

- 40.1 These unconsolidated financial statements have been prepared on the basis of single reportable segment.
- 40.2 Revenue from sale of cement and clinker represents 100% (2019: 100%) of the total revenue of the Company.
- 40.3 91.50% (2019: 77.37%) sales of the Company relates to customers in Pakistan.
- 40.4 All non-current assets of the Company at June 30, 2020 are located in Pakistan.

41 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. Taken as a whole the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. Financial instruments of the Company are as under:

	Note	2020	2019
		----- Rupees in thousands -----	
Financial assets			
Long term deposits	9	1,096	1,096
Trade debts	12	136,330	197,809
Trade deposits	14	1,734	1,534
Other receivables and accrued interest	15	17,703	18,921
Cash and bank balances	17	22,465	72,770
		<u>179,328</u>	<u>292,130</u>
Financial liabilities			
Current maturity of long term financing	19	-	87,817
Unclaimed dividend		2,039	2,540
Long term deposits	20	2,791	4,297
Trade and other payables	23	321,643	207,067
Accrued mark-up	24	9,645	7,761
Short term borrowings	25	306,544	285,080
		<u>642,662</u>	<u>594,562</u>

41.1 Financial instruments and related disclosures

Financial risk management objectives

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

The Board of Directors (the Board) of the Company has the overall responsibility for establishment and oversight of the Company's risk management framework. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the Company's financial risk exposure. The Company's overall risk management program focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

a) Credit risk

Credit risk is a risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with same party, or when counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by change in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

At the reporting date, the Company's total credit risk was concentrated in the following industrial/economic sectors:

	2020		2019	
	Rupees in thousands	%	Rupees in thousands	%
Banks	19,890	11%	70,289	24%
Others	159,438	89%	219,360	76%
	<u>179,328</u>	<u>100%</u>	<u>289,649</u>	<u>100%</u>

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed a policy of obtaining advance payment from its customers against sale of cement. Except for customers relating to the Government and certain credit worthy customers, the management strictly adheres to this policy. For any balance receivable from such Government & credit worthy customers, the management continuously monitors the credit exposure towards them and make provisions against those balances considered doubtful. Cash is held only with banks with high quality credit worthiness. There is no significant risk exposure to loan and advances and other receivables.

	Note	2020	2019
		----- Rupees in thousands -----	
The maximum exposure to credit risk at the reporting date is:			
Long term deposits	9	1,096	1,096
Trade debts	12	136,330	197,809
Trade deposits	14	1,734	1,534
Other receivables and accrued interest	15	17,703	18,921
Bank balances	17	19,890	70,289
		<u>176,753</u>	<u>289,649</u>

41.1.1 Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates. As at June 30, 2020 trade debts of Rs. 64.601 million (2019: Rs. 22.622 million) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
- within 30 days		50,180	120,202
- 31 to 90 days		21,549	54,985
- 91 to 180 days		27,947	18,845
- over 180 days		36,654	3,777
	12	<u>136,330</u>	<u>197,809</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The credit quality of cash at bank (in Current, PLS and deposit accounts) as per credit rating agencies is as follows:

	Note	2020	2019
Rating		----- Rupees in thousands -----	
A1 +		35	65,463
A1		9	9
A-		31	31
Other		19,815	4,786
	17	<u>19,890</u>	<u>70,289</u>

Due to Company's long standing relationship with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligation to the Company. For trade debts, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilization of said limits is regularly monitored.

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note 12.1. The aging analysis of these impaired trade debts is as follows:

	2020	2019
	----- Rupees in thousands -----	
Below ten years	3,079	2,182
Over ten years	72,028	72,028
	<u>75,107</u>	<u>74,210</u>

b) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company is exposed to liquidity risk in respect of non-current interest bearing liabilities, long term deposit, short term borrowings, trade and other payable and mark-up accrued.

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Maturity analysis for financial liabilities

The table below analyses Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

		2020				
		Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
Note		Rupees in thousands				
Non-derivative Liabilities						
Long term deposits	20	2,791	(2,791)	-	-	(2,791)
Trade and other payables	23	359,853	(359,853)	(359,853)	-	-
Short term borrowings	25	306,544	(306,544)	(153,272)	(153,272)	-
Accrued mark-up	24	9,645	(9,645)	(9,645)	-	-
		678,833	(678,833)	(522,770)	(153,272)	(2,791)
		2019				
		Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
Note		Rupees in thousands				
Non-derivative Liabilities						
Current maturity of long term financing	19	87,817	(92,277)	(92,277)	-	-
Long term deposits	20	4,297	(4,297)	-	-	(4,297)
Trade and other payables	23	260,363	(260,363)	(260,363)	-	-
Short term borrowings	25	285,080	(285,080)	(142,540)	(142,540)	-
Accrued mark-up	24	7,761	(7,761)	(7,761)	-	-
		645,318	(649,778)	(502,941)	(142,540)	(4,297)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at the reporting date.

c) Market risk

Market risk is the risk that changes in market interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

d) Interest / Mark-up rate risk management

Interest / mark-up rate risk management arises from the possibility of changes in interest/mark-up rates which may affect the value of financial instruments. The Company has long term finance and short term borrowing at variable rates. Company is exposed to interest / mark-up rates risk on long term financing, where interest rate risk is covered by holding "Prepayment option" which can be exercised upon any adverse movement in the underlying interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is as follows:

		Carrying amount	
		2019	2018
		Rupees in thousands	
Variable rate instruments			
Financial assets		9,691	67,600
Financial liabilities		306,544	372,897

Fair value sensitivity analysis for fixed rate instruments:

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, change in interest rates at the reporting date would not affect consolidated profit or loss account.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Cash flow sensitivity analysis for variable rate instruments:

Financial assets

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, (loss) / profit before tax for the year would have been Rs. 0.10 million (2019: Rs 0.68 million) higher / lower, mainly as a result of higher / lower interest income from these financial assets.

Financial liabilities

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, (loss) / profit before tax for the year would have been Rs. 3.07 million (2019: Rs. 3.73 million) higher / lower, mainly as a result of higher / lower interest expense on these financial liabilities.

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity dates at the end of year is as follows:

		2020				
		Mark-up / return (%)	Less than 6 months	6 months to 1 year	More than 1 year	Total
Note		Rupees in thousands				
Assets						
Bank balance in PLS accounts	17	6.5% to 11.25%	9,691	-	-	9,691
Total assets			9,691	-	-	9,691
Liabilities						
Short term borrowings	25	12.97% to 15.60%	(153,272)	(153,272)	-	(306,544)
Total liabilities			(153,272)	(153,272)	-	(306,544)
On-balance sheet gap			(143,581)	(153,272)	-	(296,853)
Total interest risk sensitivity gap			(143,581)	(296,853)	(296,853)	(296,853)
		2019				
		Mark-up / return (%)	Less than 6 months	6 months to 1 year	More than 1 year	Total
Note		Rupees in thousands				
Assets						
Bank balance in PLS accounts	17	3% to 6.5%	67,600	-	-	67,600
Total assets			67,600	-	-	67,600
Liabilities						
Short term borrowings	25	8.92% to 13.99%	(142,540)	(142,540)	-	(285,080)
Long term financing	19	8.89% to 14.92%	(92,277)	-	-	(92,277)
Total liabilities			(234,817)	(142,540)	-	(377,357)
On-balance sheet gap			(167,217)	(142,540)	-	(309,757)
Total interest risk sensitivity gap			(167,217)	(309,757)	(309,757)	(309,757)

e) Foreign exchange risk management

Foreign exchange risk is the risk that the value of financial asset or a liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable/payable from/to the foreign entities and outstanding letters of credit and bills payable.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The Company's exposure to foreign currency risk is as follows:

	2020		2019	
	PKR	USD	PKR	USD
	----- in thousands -----			
Trade and other payables	<u>123,881</u>	<u>737</u>	<u>6,728</u>	<u>41</u>

Currently, the Company does not obtain forward cover against the gross exposure. The following significant rates applied during the year:

	2020	2019	2020	2019
	Average Rate		Rate as on June 30	
USD to PKR	<u>158.64</u>	136.39	<u>168.10</u>	163.24

Sensitivity analysis

A five percent strengthening / weakening of Rupee against US Dollar on June 30th would have increased / decreased equity and unconsolidated profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis that were used for the year 2019.

	2020	2019
	----- Rupees in thousands -----	
Effects of US Dollars gain/loss	<u>6,194</u>	<u>336</u>

f) Fair value of financial instruments

Fair value of the financial instrument is the amount for which an asset could be sold or exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The methods used for determining fair value of each class of financial assets and liabilities are disclosed in respective policy notes.

g) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

h) Capital Risk Management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns and benefits for shareholders and to maintain a strong base to support the sustained development of its business.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The Company manages its capital structure by monitoring return on net assets and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payable to the shareholders or issue new shares.

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

	Note	2020	2019
		----- Rupees in thousands -----	
Gearing ratio			
Accrued mark-up	24	9,645	7,761
Current maturity of long term financing	19	-	87,817
Short term borrowings	25	306,544	285,080
Total debt		316,189	380,658
Less: cash and bank balances	17	(22,465)	(72,770)
Net debt (A)		293,724	307,888
Share capital	18	997,181	997,181
Share premium		99,718	99,718
Accumulated profit		1,367,680	1,522,007
Total shareholders' equity (B)		2,464,579	2,618,906
Total shareholders' equity and net debt (A+B)		2,758,303	2,926,794
Gearing ratio (A+B)/(A)		10.65%	10.52%

i) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its objectives of becoming a profitable organisation, producing high quality cement and generating returns for investors. Primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities ;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;

THATTA CEMENT COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- risk mitigation, including insurance
- operational and qualitative track record of the plant and equipment supplier and related service providers.

42 NUMBER OF EMPLOYEES

The total number of employees as at year end were 497 (2019: 511) and average number of employees were 503 (2019: 517).

43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 30, 2020 have proposed final cash dividend Rs. Nil per share (2019: Rs. Nil per Share) in respect of year ended June 30, 2020.

44 COMPARATIVE FIGURES

For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year's presentation.

45 DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on September 30, 2020 by the Board of Directors of the Company.

46 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020



Grant Thornton

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THATTA CEMENT COMPANY LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of **Thatta Cement Company Limited** and Thatta Power Private Limited (the Group), which comprise the consolidated statement of financial position as at **June 30, 2020**, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flow for the year then ended, the consolidated statement of changes in equity, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 11.1 and 26.1.19 to the annexed consolidated financial statements, which describes the dispute with Hyderabad Electric Supply Company regarding recoverability of trade debts. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matters
<p>Existence and valuation of inventories</p> <p>Refer Notes 10 to the consolidated financial statements, and 'stock-in-trade' which includes limestone, coal, slag, gypsum, iron ore, shale and clinker which are stored in purpose built shed and stockpiles. Since the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volume by using an angle of repose and the bulk density. Due to the significance of the stock balances and related estimations involved, this is considered a key audit matter.</p>	<p>Our audit procedures to assess the existence and valuation of inventories, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the stock; • Attended the physical inventory count performed by the Group; and • Assessed the reasonableness of management's measurement of stockpiles during the physical count at year end and reviewed the conversion to the unit of volume.
<p>Revenue</p> <p>Refer Notes 5.19 & 27 to the consolidated financial statements.</p> <p>The Group is engaged in the production and sale of cement, clinker and power.</p> <p>The Group recognized revenue from the sales of cement and clinker amounting to Rs. 1.75 billion and revenue from sale of electric power of Rs. 0.679 billion during the year.</p> <p>We considered revenue as a key audit matter identifying revenue as one of the key performance indicators of the Group which gives rise to an inherent risk that it could be subject to misstatement to meet expectations or targets.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Compared a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Compared, on a sample basis, specific sale transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; • Compared the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation; and • Reviewed the adequacy of disclosure as required under applicable financial reporting framework.

Key audit matters	How our audit addressed the key audit matters
<p>Capitalization of property, plant, equipment</p> <p>Refer Note 6.3 to the consolidated financial statements.</p> <p>The amount of capital work-in-progress transferred to operating fixed assets during the year ended June 30, 2020 was Rs. 1.17 billion.</p> <p>The Subsidiary Company has completed Waste Heat Recovery Project for power generation during the year.</p> <p>We considered capitalization of property, plant, equipment as a key audit matter as this requires consideration of the nature of costs incurred to ensure that the capitalization of property, plant, equipment meets the specific recognition criteria of relevant accounting standards.</p>	<p>Our audit procedures to assess the recognition of capitalization of property, plant, equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> • Examined the Group's capitalization policy to determine compliance with relevant accounting standards; • Inspected supporting documents including the technical report for the date of capitalization when the project was ready for its intended use to assess whether depreciation commenced and further capitalization ceased from the date; • Assessed the nature of costs incurred in the capital project through testing of amounts recorded and the related third party invoices and contracts, and considered whether the expenditure, including borrowing costs, met the criteria for capitalization under relevant accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.


Grant Thornton Anjum Rahman
Karachi

Date: 30 SEP 2020

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THATTA CEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	4,325,672	4,392,538
Intangible assets	7	-	-
Long term deposits	8	1,096	1,096
Total non-current assets		4,326,768	4,393,634
CURRENT ASSETS			
Stores, spare parts and loose tools	9	379,551	361,741
Stock-in-trade	10	394,514	370,977
Trade debts	11	937,558	881,813
Short term investment	12	306,000	306,000
Advances	13	37,275	47,465
Trade deposits and prepayments	14	6,563	7,677
Other receivables and accrued interest	15	24,683	72,246
Taxation - net	16	267,120	268,595
Cash and bank balances	17	60,599	119,234
Total current assets		2,413,863	2,435,748
Total assets		6,740,631	6,829,382
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	18	997,181	997,181
Share premium		99,718	99,718
Accumulated profit		2,512,111	2,543,016
Equity attributable to the owners of the Holding Company		3,609,010	3,639,915
Non-controlling interests		870,058	795,783
Total equity		4,479,068	4,435,698
NON-CURRENT LIABILITIES			
Long term financing	19	1,045,078	1,065,633
Long term deposits	20	2,791	4,297
Long term employee benefit	21	15,963	17,744
Deferred taxation	22	285,150	293,868
Total non-current liabilities		1,348,982	1,381,542
CURRENT LIABILITIES			
Trade and other payables	23	472,428	428,056
Unclaimed dividend		2,039	2,540
Accrued mark-up	24	43,578	44,513
Current maturity of long term financing	19	87,992	251,953
Short term borrowings	25	306,544	285,080
Total current liabilities		912,581	1,012,142
Total equity and liabilities		6,740,631	6,829,382
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

THATTA CEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

		2020	2019
	Note	----- Rupees in thousands -----	
Sales - net	27	2,435,037	4,134,378
Cost of sales	28	(2,073,431)	(3,063,598)
Gross profit		361,606	1,070,780
Selling and distribution cost	29	(89,760)	(220,258)
Administrative expenses	30	(90,517)	(118,463)
		(180,277)	(338,721)
Operating profit		181,329	732,059
Other operating expenses	31	(19,107)	(45,079)
Finance cost	32	(171,026)	(80,478)
		(190,133)	(125,557)
Other income	33	74,131	40,425
Profit before taxation		65,327	646,927
Taxation	34	(25,648)	(87,317)
Profit for the year		39,679	559,610
(Loss) / profit for the year attributable to:			
- Equity holders of the Company		(34,596)	429,585
- Non-controlling interest		74,275	130,025
		39,679	559,610
		----- Rupees -----	
(Loss) / earnings per share - basic and diluted	35	(0.35)	4.31

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
Profit for the year		39,679	559,610
Other comprehensive income			
Items to be reclassified to consolidated statement of profit or loss in subsequent years		-	-
Items not to be reclassified to consolidated statement of profit or loss in subsequent years			
Remeasurement gain / (loss) of defined benefit liability	23.1.6	3,691	(7,812)
Total comprehensive income for the year		43,370	551,798
Total comprehensive income for the year attributable to:			
- Equity holders of the Company		(30,905)	421,773
- Non-controlling interests		74,275	130,025
		43,370	551,798

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		65,327	646,927
Adjustment for:			
Depreciation on property, plant and equipment	6.2	186,684	195,136
Amortization on intangibles	7	-	2,800
Provision for slow moving & obsolete stores and impairment of major stores & spares	28	3,118	4,733
Finance cost	32	169,983	80,478
Provision for gratuity	23.1.5	17,262	13,412
Provision for leave encashment	21.3	2,808	3,518
Provision for doubtful debt	30	897	2,182
Property, plant and equipment written off	30	3	11,519
Workers' Welfare Fund		-	6,740
Workers' Profit Participation Fund		1,043	16,639
(Gain) / loss on disposal of property, plant and equipment	33	(104)	20
		381,694	337,177
Operating cash flows before working capital changes		447,021	984,104
Working capital changes			
(Increase) / decrease in stores, spare parts and loose tools		(19,315)	310,280
(Increase) / decrease in stock-in-trade		(23,537)	133,062
Increase in trade debts		(56,642)	(371,028)
Decrease in advances		10,190	4,776
Decrease in trade deposits and prepayments		1,114	19,006
Decrease in other receivables and accrued interest		47,563	33,480
Increase / (decrease) in trade and other payables		54,645	(255,174)
		14,018	(125,598)
Cash generated from operations		461,039	858,506
Finance cost paid		(167,701)	(80,802)
Gratuity paid	23.1.4	-	(19,984)
Leave encashment paid	21.4	(4,589)	(1,658)
Workers' Welfare Fund paid		(7,946)	(8,970)
Workers' Profit Participation Fund paid		(16,941)	(27,391)
Income tax paid - net		(32,891)	(110,616)
		(230,068)	(249,421)
Net cash generated from operating activities		230,971	609,085

THATTA CEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure
Proceeds from disposal of property, plant and equipment
Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long term financing
Long term financing obtained
Dividend paid
Long term deposits (paid) / received
Net cash (used in) / generated from financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

Note

2020	2019
----- Rupees in thousands -----	
(119,825)	(1,186,262)
104	123
(119,721)	(1,186,139)
(189,342)	(333,459)
-	1,102,863
(501)	(142,405)
(1,506)	820
(191,349)	627,819
(80,099)	50,765
(165,846)	(216,611)
(245,945)	(165,846)

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

THATTA CEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Issued, subscribed and paid-up share capital	Share premium	Accumulated profit	Total		
	----- Rupees in thousands -----					
Balance as at July 1, 2018	997,181	99,718	2,264,837	3,361,736	665,758	4,027,494
Transactions with owners recorded directly in equity						
Final dividend @ Rs. 1.44 per share for the year ended June 30, 2018	-	-	(143,594)	(143,594)	-	(143,594)
Total comprehensive income for the year						
Profit for the year	-	-	429,585	429,585	130,025	559,610
Other comprehensive income						
Remeasurement of defined benefit liability	-	-	(7,812)	(7,812)	-	(7,812)
	-	-	421,773	421,773	130,025	551,798
Balance as at June 30, 2019	997,181	99,718	2,543,016	3,639,915	795,783	4,435,698
Balance as at July 1, 2019	997,181	99,718	2,543,016	3,639,915	795,783	4,435,698
Total comprehensive income for the year						
Profit for the year	-	-	(34,596)	(34,596)	74,275	39,679
Other comprehensive income						
Remeasurement of defined benefit liability	-	-	3,691	3,691	-	3,691
	-	-	(30,905)	(30,905)	74,275	43,370
Balance as at June 30, 2020	997,181	99,718	2,512,111	3,609,010	870,058	4,479,068

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

1 THE GROUP AND ITS OPERATIONS

1.1 The Group consists of Thatta Cement Company Limited (TCCL) and Thatta Power (Private) Limited (TPPL), (together referred to as the Group).

1.2 Holding Company

Thatta Cement Company Limited

Thatta Cement Company Limited (the Holding Company) was incorporated in Pakistan in 1980 as a public limited company. The shares of the Holding Company are quoted at the Pakistan Stock Exchange. The Holding Company's main business activity is manufacturing and marketing of cement. The registered office of the Holding Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Holding Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.

1.3 Subsidiary Company

Thatta Power (Private) Limited

Thatta Power (Private) Limited (the Subsidiary Company) is a 62.43% owned subsidiary of the Holding Company as at June 30, 2020 (2019: 62.43%). The principal business of the Subsidiary Company is generation and sale of electrical power. As at June 30, 2020, the Subsidiary Company has authorized and issued, subscribed and paid up capital of Rs. 500 million and Rs. 479.16 million divided into 50,000,000 (2019: 50,000,000) ordinary shares and 47,915,830 (2019: 47,915,830) ordinary shares respectively. The registered office and generation facility of the Subsidiary Company is situated at Ghulamullah Road, Makli, District Thatta, Sindh, which comprises of 3 acres.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENT

2020 2019

----- Rupees in thousands -----

2.1 Sales - net

1,755,227 3,468,411

During the period, the sales of the Holding Company has decreased by approximately Rs. 1.7 billion as a consequence of lower demand of cement in the south region due to economic depression prevailing in the Country. The construction related activities also remained affected and resulted in lower sales volume due to unstable political conditions and budget cuts by the Government since beginning of the fiscal year.

2.2 Current maturity of long term financing

During the year outstanding balance of syndicated term finance facility (STFF) has been repaid fully amounting to Rs. 87.817 million by the Holding Company.

2.3 Impact of Coronavirus - COVID-19

The outbreak of pandemic Coronavirus (COVID-19) resulted in strict lock-down situation at both local and global levels. This also resulted in labour and logistics issues, stagnation in construction activities and even suspension of business operations of the Group. This situation coupled with other factors has adversely affected the production and revenues of the Group. The management believes that due to the pandemic the Group's operations, financial position and results have been impacted only on a temporary basis and believes that as normalcy comes about, these impacts will be started to recede.

2.4 Waste Heat Recovery Project

During the year, the Waste Heat Recovery Project (WHRP) of Subsidiary Company for Power Generation has been completed, which comprises nine boilers, a steam turbine and a generator. This WHRP utilize waste heat to produce super heated steam which used for power generation. After the completion of WHRP the gross generation capacity of the Subsidiary Company has increased to 27.1 MW.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

3 BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprises of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

These consolidated financial statements are being submitted to the shareholders as required under section 228 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations.

3.2 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and the Subsidiary Company. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Upon loss of control, the Holding Company derecognises the assets and liabilities of the Subsidiary Company, any non-controlling interests and other components of equity related to the Subsidiary Company. Any surplus or deficit arising on the loss of control is recognised in consolidated statement of profit or loss.

The financial statements of the Subsidiary Company are prepared for the same reporting period as of the Holding Company, using accounting policies that are generally consistent with those of the Holding Company.

The assets and liabilities of the Subsidiary Company have been consolidated on a line-by-line basis. The carrying value of investment held by the Holding Company is eliminated against the Subsidiary Company's shareholders' equity in the consolidated financial statements. Intra group balances and transactions are eliminated.

3.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except as otherwise disclosed in the respective accounting policy notes.

3.4 Financial year

The Group's financial year starts from July 1 and ends at June 30.

3.5 Functional and presentation currency

These consolidated financial statements have been prepared and presented in Pakistani Rupee, which is the Group's functional and presentation currency.

3.6 Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended June 30, 2019.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Management has made the following estimates and judgments which are significant to these consolidated financial statements:

a) **Useful lives and residual values of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment (note 5.1 & 6.1). The Group also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

b) **Intangible assets**

The Group's management determines the estimated useful lives and related amortization charge for its intangibles (note 5.3 & 7). The Group also reviews the value of the intangibles for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of intangibles with a corresponding affect on the amortization charge and impairment.

c) **Impairment of assets**

The Group reviews its provision for loss allowance at each reporting date to assess whether provision should be recorded in the consolidated statement of profit or loss (note 5.4 & 11). In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about number of factors and actual results may differ, resulting in future changes to the provision.

d) **Net realizable value of stock-in-trade and stores & spares**

The Group reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values (note 5.6, 5.7 & 9). Any change in the estimates in future years might affect the carrying amounts of stock-in-trade, stores and spares and corresponding effect in consolidated statement of profit or loss of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sale.

e) **Provision for taxation**

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

f) **Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of uncertain future events with respect to evaluation based on element of issue involved and opinion of the legal counsel (note 26).

g) **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in these consolidated financial statements for actuarial valuation of present value of defined benefit obligation and leave encashment (note 5.9, 21 & 23.1). Change in these assumptions in future years may affect the liability under the schemes in those years.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

h) Impairment of investments

The Group determines that a significant and prolonged decline in the fair value of its investments below its cost is an objective evidence of impairment (note 5.5 & 12). The impairment loss is recognized when the carrying amount exceeds the higher of fair value less cost to sell and value in use.

4 STANDARDS, AMENDMENTS OR INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE YEAR

4.1 Standards, amendments and interpretations to the published standards that are relevant to the Group and adopted in the current year

The Group has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 16 'Leases'	July 1, 2019
IAS 12 'Income tax consequences of payments on financial instruments classified as equity'	January 1, 2019
IAS 23 Borrowing costs eligible for capitalization	January 1, 2019
IFRS 3 Previously held interest in a joint operation	January 1, 2019
IFRS 9 Prepayment features with negative compensation	January 1, 2019
IFRS 11 Previously held interest in a joint operation	January 1, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019
IAS 28 'Long-term Interests in Associates and Joint Ventures' (Amendments to IAS 28)	January 1, 2019
IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019

Adoption of the above standard have no significant effect on the amounts for the year ended June 30, 2020.

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2019 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Group

The following new standards, amendments to published standards and interpretations will be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 7, IFRS 9, and IAS 39 - Interest Rate Benchmark Reform	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The Group is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Group.

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP).

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 'Insurance Contracts'	January 1, 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards	July 1, 2009

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all years presented.

5.1 Property, plant and equipment

Property, plant and equipment (except freehold land) are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of an asset.

Depreciation on property, plant and equipment

Depreciation is charged using straight line method on all assets except on plant and machinery (other than utilities within plant and machinery) on which depreciation is charged by applying 'Units of Production (UoP) method'. Majority items of plant and machinery of the Subsidiary Company are depreciated on the basis of 'Running Hours' (RH) of engines. Depreciation rates of each item is mentioned in note 6.1. Depreciation on addition is charged from the date when the asset is available for use and on disposal up to the date when the asset is classified as 'held-for-sale' in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' or the date when the asset is derecognized, whichever is earlier. Assets' residual values and useful

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

lives are reviewed, and adjusted, if appropriate at each reporting date.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. Normal maintenance and repairs are charged to consolidated statement of profit or loss as and when incurred whereas major renewals and improvements are capitalized.

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognized in consolidated statement of profit or loss.

5.1.1 Capital work-in-progress (CWIP)

Capital work-in-progress is stated at cost including, where relevant, related financing costs less impairment loss, if any. These costs are transferred to fixed assets as and when assets are available for use.

5.2 Government grant

Government grants related to assets are presented by deducting the grant amount in arriving at the carrying amount of the asset. The grant is recognized in consolidated statement of profit or loss over the useful life of the asset as reduced by depreciation expense.

5.3 Intangible assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of an asset can be measured reliably. Cost of intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use. Costs associated with maintaining computer software are recognized as an expense as and when incurred. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of an asset on a systematic basis by applying the straight line method. Useful lives of all intangible assets are reviewed at each reporting date and adjusted if the impact of amortization is significant. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

5.4 Impairment

Financial assets

The Group recognize an allowance for expected credit loss on all financial assets carried at amortized cost irrespective whether a loss event has occurred. For trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets (deposits, other receivables and cash and bank balances) i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

The Group measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in consolidated statement of profit or loss.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Non-Financial assets

The carrying amounts of non-financial assets other than stock in trade and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the consolidated statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5.5 Investments

Investment in associate

Investment in associates are initially recognized at cost. The carrying amount of investment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount but limited to the extent of initial cost of investment. A reversal of impairment loss is recognized in the consolidated statement of profit or loss.

5.6 Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary, except those part of the initial acquisition transaction, that do not result in a loss of control are accounted for as equity transactions.

5.7 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss account as a bargain purchase gain.

5.8 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Holding Company.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

5.9 Stores, spare parts and loose tools

These are stated at lower of cost (calculated on weighted average basis) and net realisable value, less provision for obsolete and slow moving stores and spares. Stores and spares in transit are valued at invoice value plus other charges incurred thereon as on the date of consolidated statement of financial position.

Provision for obsolete and slow moving stores, spare parts and loose tools is determined based on management's estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost necessary to be incurred to make the sale.

5.10 Stock-in-trade

Stock of raw and packing material, work in process and finished goods are valued at the lower of cost or net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at cost on weighted average basis. Stocks in transit are valued at cost comprising of invoice value plus other charges directly attributable to the acquisition of related purchase incurred up to the date of consolidated statement of financial position.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessary to be incurred in order to make the sale.

5.11 Cash and cash equivalents

Cash and cash equivalents in local currency are carried in the consolidated statement of financial position at cost and cash in foreign currencies are stated at the exchange rate prevailing at the reporting date. For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprises of cash in hand, cash with banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

5.12 Employee retirement benefits

Defined benefit plan

The Holding Company operates an approved funded gratuity scheme covering all permanent employees. The scheme is administered by the trustees nominated under the Trust Deed. The liability recognized in respect of gratuity is the present value of the Holding Company's obligations under the scheme at the date of consolidated statement of financial position less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method.

The present value of obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds. The government bonds are consistent with the estimated term of the post-employment benefit obligations.

Defined contribution plan

The Holding Company also operates an approved contributory Provident fund for all its permanent employees to which equal monthly contributions are made, both by the Holding Company and the employees at the rate of 10% of basic salary.

Leave encashment

The liability for accumulated earned leaves which are eligible for encashment relating to permanent employees are recognised on the basis of actuarial valuation in the period in which permanent employees render service that increases their entitlement to future leave encashment.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

5.13 Borrowings and finance cost

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing cost incurred on long term finances directly attributable to the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to consolidated statement of profit or loss.

5.14 Taxation

Current

Provision for current taxation of the Holding Company is computed in accordance with the provisions of Income Tax Ordinance, 2001. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior years including those arising from assessment and amendments in assessments during the year in such years.

The profits and gains of the Subsidiary Company derived from electric power generation are exempt from income tax in terms of Clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the conditions and limitations provided therein. Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Subsidiary Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the consolidated statement of profit or loss on income from other sources not covered under the above clauses at current rate of taxation after taking into account tax credits and rebates available, if any.

Deferred

The Holding Company accounts for deferred taxation on all temporary differences using balance sheet liability method. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized.

Deferred tax has not been provided in these consolidated financial statements for the Subsidiary Company as the Group's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Subsidiary Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of Clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

5.15 IFRIC-23 Uncertainty over income tax treatments

The Group has adopted IFRIC-23 - Uncertainty over income tax treatments which clarifies how the recognition and measurement requirements of IAS-12 - Income taxes are applied when there is uncertainty over income tax treatment. IFRIC-23 explains how the recognition and measurement of deferred and current income tax assets and liabilities when there is uncertainty over tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over income tax that will be accepted by tax authorities. IFRIC-23 applies to all aspect of income tax accounting, when there is a uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. While there are new disclosure requirements, entities are reminded of the general requirements to provide information about judgement and estimates made in preparing the consolidated financial statements.

The Group is already in compliance with the requirements of IFRIC-23.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

5.16 Trade and other payables

These are recognized and carried at cost which is fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

5.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at date of statement of financial position and adjusted to reflect the best estimate.

5.18 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices.

5.19 Revenue recognition

Thatta Cement Company Limited

Revenue is recognized when control of a promised goods passes to a customer. It is measured at the fair value of the consideration received or receivable, sales tax and other duties collected on behalf of third parties are not taken into account.

The Company primarily generates revenue from sale of cement for which the control passes to the customer at a specific point in time.

The revenue is recorded on the basis of the consideration defined in the contract with the customer, including variable consideration such as discount, volume rebates or other contractual price reductions; if any.

Interest and rental/other income is recognized on accrual basis.

Thatta Power (Private) Limited

The Subsidiary Company has entered into Power Purchase Agreements with its customers for supply of electricity. The transmission of electricity is considered single performance obligation. The Company recognises revenue at point of time when control of electricity is transferred to customer. Control is considered to be transferred when the electricity is directly transmitted in the customer terminals.

5.20 Financial assets and liabilities

Financial instruments

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in consolidated statement of profit or loss.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in consolidated statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in consolidated profit or loss when the Group's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value or amortized cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the consolidated profit or loss for the period in which it arises.

Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Group.

Financial liabilities

Financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in consolidated profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in consolidated profit or loss.

5.21 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the consolidated statement of financial position if the Group has a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

5.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, mainly comprises of corporate assets, head office expenses and tax assets and liabilities.

5.23 Foreign currency transactions

Transactions in foreign currencies are translated into Pakistani Rupees using the exchange rates prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistani Rupees using the exchange rates those prevailing on the date of consolidated statement of financial position. All exchange differences are taken into consolidated statement of profit or loss.

5.24 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the consolidated profit or loss attributable to shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to shareholders of the Holding Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5.25 Dividends and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved. The Subsidiary Company can declare dividends subject to prior approval from syndicate of banks.

6	PROPERTY, PLANT AND EQUIPMENT	Note	2020	2019
			----- Rupees in thousands -----	
	Operating fixed assets	6.1	4,260,881	3,265,338
	Capital work-in-progress	6.3	-	1,077,386
	Major stores and spares	6.4	64,791	49,814
			<u>4,325,672</u>	<u>4,392,538</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

6.1 Operating fixed assets

	2020										
	COST					Depreciation rate per annum	ACCUMULATED DEPRECIATION				
	As at July 1, 2019	Additions	Disposals	Adjustment (Note 6.1.1)	As at June 30, 2020		As at July 1, 2019	Change for the year (Note 6.2)	Accumulated depreciation on disposals	Adjustment (Note 6.1.1)	As at June 30, 2020
	Rupees in thousands						Rupees in thousands				
Freehold land	6,422	-	-	-	6,422	-	-	-	-	-	6,422
Leasehold improvements	2,585	-	-	-	2,585	20%	2,585	-	-	-	2,585
Quarries and improvements	11,963	-	-	-	11,963	5%	11,828	9	-	-	11,837
Factory building on freehold land	488,743	147,738	-	-	636,481	10% & 4%	280,262	19,183	-	-	299,445
Electrical installations	59,265	-	-	-	59,265	5%	20,601	2,560	-	-	23,161
Housing colonies	74,096	-	-	-	74,096	5%	59,251	990	-	-	60,241
Office building on freehold land	22,281	-	-	-	22,281	5%	19,095	212	-	-	19,307
Cooling towers	73,235	-	-	-	73,235	7%	33,579	5,126	-	-	38,705
Plant and machinery	4,612,807	1,031,911	-	-	5,644,718	UoP & RH	1,711,727	145,306	-	-	1,857,033
Quarry equipments	19,296	-	-	-	19,296	20%	18,915	88	-	-	19,003
Railway sidings	14,905	-	-	-	14,905	10%	14,047	172	-	-	14,219
Vehicles	65,175	-	(1,075)	-	64,100	10% & 20%	54,358	5,334	(1,075)	-	58,617
Furniture and fixtures	11,608	-	-	(7)	11,601	10%	8,646	611	-	(6)	9,252
Office & other equipments	19,175	-	-	(32)	19,143	10%	8,729	1,823	-	(30)	10,522
Medical equipments	629	-	-	-	629	10%	627	1	-	-	628
Laboratory equipments	70,332	1,437	-	-	71,769	10%	42,929	4,954	-	-	47,883
Computers	20,852	1,144	-	(114)	21,882	30%	20,851	315	-	(114)	21,052
	5,573,369	1,182,230	(1,075)	(153)	6,754,371		2,308,031	186,684	(1,075)	(150)	2,493,490
											4,260,881

	2019										
	COST					Depreciation rate per annum	ACCUMULATED DEPRECIATION				
	As at July 1, 2018	Additions	Disposals	Adjustment (Note 6.1.1)	As at June 30, 2019		As at July 1, 2018	Change for the year (Note 6.2)	Accumulated depreciation on disposals	Adjustment (Note 6.1.1)	As at June 30, 2019
	Rupees in thousands						Rupees in thousands				
Freehold land	6,422	-	-	-	6,422	-	-	-	-	-	6,422
Leasehold improvements	2,585	-	-	-	2,585	20%	2,585	-	-	-	2,585
Quarries and improvements	11,963	-	-	-	11,963	5%	11,819	9	-	-	11,828
Factory building on freehold land	488,743	-	-	-	488,743	10% & 4%	265,019	15,243	-	-	280,262
Electrical installations	58,848	417	-	-	59,265	5%	18,049	2,552	-	-	20,601
Housing colonies	74,096	-	-	-	74,096	5%	58,261	990	-	-	59,251
Office building on freehold land	22,281	-	-	-	22,281	5%	18,883	212	-	-	19,095
Cooling towers	73,235	-	-	-	73,235	7%	28,453	5,126	-	-	33,579
Plant and machinery	4,277,796	347,184	-	(12,173)	4,612,807	UoP & RH	1,558,852	153,533	-	(658)	1,711,727
Quarry equipments	18,857	439	-	-	19,296	20%	18,689	226	-	-	18,915
Railway sidings	14,905	-	-	-	14,905	10%	13,875	172	-	-	14,047
Vehicles	66,515	-	(1,340)	-	65,175	10% & 20%	45,876	9,720	(1,238)	-	54,358
Furniture and fixtures	11,608	-	-	-	11,608	10%	8,031	615	-	-	8,646
Office & other equipments	19,186	207	(211)	(7)	19,175	10%	7,092	1,812	(171)	(4)	8,729
Medical equipments	629	-	-	-	629	10%	626	1	-	-	627
Laboratory equipments	69,496	836	-	-	70,332	10%	38,158	4,771	-	-	42,929
Computers	20,874	-	-	(22)	20,852	30%	20,718	154	-	(21)	20,851
	5,238,039	349,083	(1,551)	(12,202)	5,573,369		2,114,986	195,136	(1,409)	(683)	2,308,031
											3,265,338

6.1.1 This represents certain items of operating fixed assets that have been written off as they are no longer usable and are in unserviceable condition.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

		Note	2020	2019		
			----- Rupees in thousands -----			
6.2	Allocation of depreciation					
The depreciation on property, plant & equipment for the year has been allocated as under:						
Cost of sales		28	183,672	190,920		
Selling and distribution cost		29	789	773		
Administrative expenses		30	2,223	3,443		
			<u>186,684</u>	<u>195,136</u>		
			Opening balance	Capital expenditure incurred	Transferred to operating fixed assets	Closing balance
6.3	Capital work-in-progress					
		Note	----- Rupees in thousands -----			
Waste heat recovery project		6.3.1	1,077,386	94,407	(1,171,793)	-
June 30, 2020			<u>1,077,386</u>	<u>94,407</u>	<u>(1,171,793)</u>	<u>-</u>
June 30, 2019			<u>214,212</u>	<u>1,053,727</u>	<u>(190,553)</u>	<u>1,077,386</u>
6.3.1	The Waste Heat Recovery Project has been completed during the year. After, the completion of Waste Heat Recovery Project the gross generation capacity of the Subsidiary Company has been increased to 27.1 MW.					
6.4	Major stores and spares	Note	2020	2019		
			----- Rupees in thousands -----			
Cost						
Opening balance			87,119	89,588		
Additions during the year			24,050	12,217		
Transferred to operating fixed assets and capital work-in-progress			(7,459)	(14,686)		
Closing balance			<u>103,710</u>	<u>87,119</u>		
Accumulated impairment						
Opening balance			(37,305)	(31,546)		
Impairment charge for the year			(1,614)	(5,759)		
Closing balance			<u>(38,919)</u>	<u>(37,305)</u>		
Net book value			<u>64,791</u>	<u>49,814</u>		
7	INTANGIBLE ASSETS					
Cost			10,675	10,675		
Amortization on intangibles						
Opening balance			(10,675)	(7,875)		
Charge for the year		30	-	(2,800)		
Closing balance			<u>(10,675)</u>	<u>(10,675)</u>		
Net book value			<u>-</u>	<u>-</u>		

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

8 LONG TERM DEPOSITS

Long term deposits are given in the normal course of business and do not carry any interest or mark-up.

	Note	2020	2019
		----- Rupees in thousands -----	
9 STORES, SPARE PARTS AND LOOSE TOOLS			
Coal and other fuels		163,933	128,020
Stores & spare parts		243,859	260,454
Loose tools		107	110
		<u>407,899</u>	<u>388,584</u>
Provision for obsolete stores		(3,871)	(5,231)
Provision for slow moving stores and spares		(24,477)	(21,612)
	9.1	<u>(28,348)</u>	<u>(26,843)</u>
		<u>379,551</u>	<u>361,741</u>
9.1 Movement in provision			
Opening balance		(26,843)	(27,869)
(Provision) / reversal during the year		(1,505)	1,026
Closing balance		<u>(28,348)</u>	<u>(26,843)</u>
10 STOCK-IN-TRADE			
Raw material	28.1	18,587	20,399
Packing material	28.2	36,962	46,208
Work-in-process	28	288,870	269,597
Finished goods	28	50,095	34,773
		<u>394,514</u>	<u>370,977</u>
11 TRADE DEBTS			
Considered good			
Local - unsecured	11.1	937,558	881,813
Considered doubtful			
Cement stockiest	11.2	60,801	60,801
Excessive rebate allowed	11.2	6,101	6,101
Controller military accounts		5,126	5,126
Other customers		2,182	2,182
Provision as per IFRS 9		897	-
		<u>75,107</u>	<u>74,210</u>
Provision for loss allowance		<u>(75,107)</u>	<u>(74,210)</u>
		<u>937,558</u>	<u>881,813</u>

11.1 These include Rs. 711.570 million which are disputed with HESCO on grounds of tariff differential amount and subsequent deductions / adjustments made at the time of payment to the Subsidiary Company by the HESCO. In respect of which both parties i.e the Subsidiary Company and HESCO are under litigation. The brief details of the matter are as under ;

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The Honorable High Court of Sindh has disposed the petition filed by the Subsidiary Company with the direction to HESCO to pay Thatta Power (Pvt) Ltd (TPPL) against purchase of electricity as per the rates stipulated in Power Purchase Agreement (PPA) until 01-02-2012 and thereafter on the reduced rates determined by NEPRA. In view of the adverse order and according to the advice of the legal counsel the Subsidiary Company has filed an appeal before the Supreme Court of Pakistan against the order passed by the High Court of Sindh. Consequently, HESCO and NEPRA have also filed appeals before the Supreme Court of Pakistan against the same order, which are pending for adjudication. Moreover, the Subsidiary Company has resumed power supply to HESCO from January, 2017 and generating monthly invoice for supply of electricity as per tariff stipulated in PPA, whereas HESCO is paying the monthly invoice on the basis of tariff determined by NEPRA. Moreover, after the promulgation of the Sindh New Captive Power Plants Subsidy Bill 2017, the Government of Sindh is providing tariff differential support i.e. difference between tariff as per PPA and tariff determined by NEPRA, to the captive power plants. The Subsidiary Company has not received tariff differential subsidy after March 2018 .

However, as the matter is pending before the Supreme Court and the legal advisor expects a successful outcome of the case. Therefore, the management strongly feels that under the terms of the PPA, the above amount of Rs 711.570 million is likely to be recovered by the Subsidiary Company. Further, Receivable from HESCO are secured to the extent of Rs.286.71 million (2019 : Rs.286.71 million) against Stand by Letter of Credit (SBLC) issued by National Bank Of Pakistan.

11.2 This includes balances outstanding for more than ten years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Holding Company, when the Holding Company was operating under State Cement Corporation of Pakistan (SCCP). Accordingly, the management of the Group had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs. 2.276 million in the preceding years. Provision has been maintained in respect of outstanding amount as a matter of prudence and abundant precaution.

12	SHORT TERM INVESTMENT	Note	2020	2019
			----- Rupees in thousands -----	
	At amortized cost			
	Term deposit with National Bank of Pakistan	12.1	306,000	306,000
12.1	The term deposit is placed for a period of one year under interest/mark-up arrangement at the rate of 8.5% to 11.00%(2019: 8.50%) per annum and has been pledged against the bank guarantee issued to Sui Southern Gas Company Limited by National Bank of Pakistan on behalf of the Subsidiary Company.			
13	ADVANCES	Note	2020	2019
			----- Rupees in thousands -----	
	Considered good-unsecured			
	- to vendors	13.1	37,083	43,469
	- margin against Letter of Credit		-	3,796
	- others		192	200
			37,275	47,465

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 13.1 The Subsidiary Company has applied for exemption against deduction of advance tax amounting to Rs. 26.203 million on import of plant & machinery for Waste Heat Recovery Project before the Commissioner Inland Revenue, which was rejected by the CIR. Thereafter the Subsidiary Company filed a revision application on the order passed by CIR, which was also rejected by the Chief Commissioner Inland Revenue. Subsequently, the Subsidiary Company filed a Constitutional Petition D-8047 of 2018 before the Honorable High Court of Sindh. The Honorable High Court of Sindh has passed an interim Order on September 21, 2018 with the direction to deposit pay order amounting to Rs. 26.203 million as security and instruct collector of Customs to release the consignment of the Subsidiary Company. The case is pending for further adjudication.

14	TRADE DEPOSITS AND PREPAYMENTS	Note	2020	2019
			----- Rupees in thousands -----	
	Trade deposits	14.1	1,734	1,534
	Prepayments		4,829	6,143
			<u>6,563</u>	<u>7,677</u>

- 14.1 Trade deposits are given in the normal course of business and comprises of earnest money and security deposits. These do not carry any interest or mark-up.

15	OTHER RECEIVABLES AND ACCRUED INTEREST	Note	2020	2019
			----- Rupees in thousands -----	
	Interest receivable from banks		6,980	7,298
	Deposit with Commissioner Workmen's Compensation	26.1.4	14,915	14,915
	Sales tax refundable		-	48,336
	Others		2,788	1,697
			<u>24,683</u>	<u>72,246</u>
16	TAXATION - NET	16.1	<u>267,120</u>	<u>268,595</u>

- 16.1 It mainly includes an amount of Rs. 217.726 million representing tax refundable of the Holding Company for the tax year 2015, 2016, 2017, 2018 and 2019 and an amount of Rs. 50.869 million representing tax refundable of the Subsidiary Company upto the Tax Year 2019.

17	CASH AND BANK BALANCES	Note	2020	2019
			----- Rupees in thousands -----	
	Cash in hand		3,221	3,136
	Balances with banks			
	- in current accounts	17.1	21,198	38,538
	- in profit and loss sharing (PLS) accounts	17.1 & 17.2	36,180	77,560
		17.3	57,378	116,098
			<u>60,599</u>	<u>119,234</u>

- 17.1 These accounts are maintained with commercial banks under conventional banking system.

- 17.2 During the year, the mark-up rates on PLS accounts ranged from 6.5% to 11.25% (2019: 3% to 8%) per annum.

- 17.3 It includes restricted funds of Rs. 36.9 million (June 30, 2019: Rs. 22.9 million) maintained by the Subsidiary Company in various project accounts at National Bank of Pakistan as a covenant of syndicated term finance agreement. The funds are to be used strictly in accordance with the terms of financing agreements.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

18 SHARE CAPITAL

2020	2019		2020	2019	
--- Number of shares ---			----- Rupees in thousands -----		
Authorized share capital					
200,000,000	200,000,000	Ordinary shares of Rs. 10 each.	2,000,000	2,000,000	
Issued, subscribed and paid-up share capital					
89,418,125	89,418,125	Ordinary shares of Rs. 10/- each - shares allotted for consideration fully paid in cash	894,181	894,181	
10,300,000	10,300,000	Ordinary shares of Rs. 10/- each - shares allotted for consideration other than cash	103,000	103,000	
99,718,125	99,718,125		997,181	997,181	

18.1 The Holding Company has only one class of ordinary shares which carries no right to fixed income. The shareholders of the Holding Company are entitled to receive dividend as declared from time to time and are entitled to one vote per share at general meetings of the Holding Company. All shares rank equally with regard to the Holding Company's residual assets.

19 LONG TERM FINANCING

	Note	2020	2019
		----- Rupees in thousands -----	
Loan from Banking companies - secured			
- Syndicated term finance facility (STFF) - TCCL	19.1	-	87,817
- Syndicated term finance facility (STFF) - TPPL	19.2 & 19.3	25,381	126,906
- Syndicated term finance facility - II (STFF - II) - TPPL	19.4 & 19.5	1,107,689	1,102,863
		1,133,070	1,317,586
Less: Current maturity		(87,992)	(251,953)
		1,045,078	1,065,633

19.1 This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Silk Bank Limited. The facility carries mark-up at rates ranging between 14.92% to 15.86% (2019: 8.89% to 14.92%) per annum payable quarterly. The tenure of financing is 8 years including grace period of 2 years and the facility is payable in 24 equal quarterly installments of Rs. 57.983 million each starting from June 17, 2016. During the year, Rs. 87.817 million has been re-paid against quarterly installments. The facility is secured by first joint pari passu charge by way of hypothecation over all present and future fixed assets and mortgage over the immovable properties. Unless the entire amount of loan has been repaid, the Holding Company has to seek approval of the majority members of the syndicated term finance facility before declaration of any dividend.

19.2 This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited and Summit Bank Limited. The facility carries a floating mark-up linked to 3 months KIBOR as base rate plus 3% on annualized basis. The tenure of financing is 7 years and 9 months including grace period of 9 months and the facility is payable in 28 equal quarterly installments of Rs. 25.381 million each starting after one year from the date of first drawdown. The drawdown of the entire facility i.e. Rs. 710.675 million was on November 21, 2012. Unless the entire amount of loan has been repaid, the Subsidiary Company has to seek approval of the majority members of the syndicated term finance facility before declaration of any dividend.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

19.3 The syndicated term finance facility provided by the syndicate of banks as explained in note 19.2 is secured by first joint pari passu charge by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and building), mortgage over all present and future immoveable assets including land and building, first joint pari passu hypothecation charge on current assets, lien over import documents, assignment over receivables and insurance policies and pledge of the Subsidiary Company's shares owned by the Holding Company.

19.4 This syndicated term finance facility-II has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited and Summit Bank Limited. The facility carries a floating mark-up linked to 3 months KIBOR as base rate plus 2.5% on annualized basis. The tenure of financing is 7 years including grace period of 18 months and deferral period of 12 months. The principal repayment is payable in 18 equal quarterly installments of Rs. 62.61 million commencing after grace period and principal deferment period whereas the mark up is payable quarterly in arrears with no grace period.

However, during the year, the Subsidiary Company has been granted deferment of principal installment for further one year under State Bank's Banking Policy and Regulatory Department (BPRD) circular letter no. 13 of 2020 by member banks of this syndicate facility-II. As per the revised terms the 1st installment of principal is now repayable from April 2021. There are no other changes in the terms of revised agreement.

19.5 The syndicated term finance facility-II provided by the syndicate of banks as explained in note 19.4 is secured by first joint pari passu charge by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and building), mortgage over all present and future immoveable assets including land and building, first joint pari passu hypothecation charge on current assets.

		2020	2019
	Note	----- Rupees in thousands -----	
20	LONG TERM DEPOSITS		
Dealers	20.1	2,110	2,110
Suppliers and contractors	20.2	681	2,187
		<u>2,791</u>	<u>4,297</u>

20.1 These relate to dealers against whom recovery proceedings are in process with National Accountability Bureau (NAB) and is adjustable against the amount owed by them to the Holding Company (refer note 11.2).

20.2 These represent interest free security deposits received from dealers, suppliers & contractors. These are kept in a separate bank account and repayable / adjustable on cancellation or withdrawal of dealership and completion of contract in case of suppliers and contractors.

21 LONG TERM EMPLOYEE BENEFIT

This represents accrual for encashment of eligible earned leave balances in respect of permanent employees. Principal actuarial assumptions used for determining leave encashment liability are same as are used for Gratuity actuarial valuation as disclosed in note 23.1.

21.1 The amount recognised as liability in the consolidated statement of financial position is as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
Present value of defined benefit obligation	21.2	15,792	17,744
Benefits due but not paid (payables)		171	-
Closing net liability		<u>15,963</u>	<u>17,744</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019		
		----- Rupees in thousands -----			
21.2	Movement in present value of defined benefit obligation				
Opening balance		17,744	15,723		
Current service cost	21.3	1,247	1,203		
Interest cost	21.3	2,189	1,348		
Benefits due but not paid		(171)	-		
Benefits paid		(4,589)	(1,497)		
Remeasurement (gain) / loss due to change in experience adjustments	21.3	(628)	967		
Present value of defined benefit obligation		15,792	17,744		
21.3	The amount recognised in consolidated statement of profit or loss is as follows:				
Current service cost	21.2	1,247	1,203		
(Gain) / loss arising on present value of defined benefit obligation	21.2	(628)	967		
Interest cost on defined benefit obligation	21.2	2,189	1,348		
	21.4	2,808	3,518		
21.4	Movement in liabilities				
Opening net liability		17,744	15,884		
Charge for the year	21.3	2,808	3,518		
Benefits paid		(4,589)	(1,658)		
Closing net liability		15,963	17,744		
21.5	Sensitivity analysis (± 100 bps) on present value of defined benefit obligation:				
		Discount rate Salary increase			
		+100 bps - 100 bps +100 bps - 100 bps			
		----- Rupees in thousands -----			
	2020	14,635	17,149	17,127	14,635
	2019	16,676	18,963	18,929	16,689
21.6	The charge for the year has been allocated as follows:				
	Note	2020	2019		
		----- Rupees in thousands -----			
Cost of sales	28	2,090	2,724		
Selling and distribution cost	29	118	131		
Administrative expenses	30	600	663		
		2,808	3,518		
22	DEFERRED TAXATION				
Taxable temporary differences arising in respect of Accelerated tax depreciation		349,349	333,992		
Deductible temporary differences arising in respect of Other provisions - for doubtful debts and stores		(40,608)	(40,124)		
Minimum Tax u/s 113	22.1	(23,591)	-		
	22.2	285,150	293,868		

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

22.1 The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

22.2 Movement in deferred tax

2020

Opening deferred tax
Deferred tax liability
Deferred tax asset
Deferred tax expense
Closing deferred tax

Deductible temporary differences	Taxable temporary differences	Total
----------------------------------	-------------------------------	-------

----- Rupees in thousands -----

(40,124)	333,992	293,868
-	15,357	15,357
(24,075)	-	(24,075)
(24,075)	15,357	(8,718)
(64,199)	349,349	285,150

2019

Opening deferred tax
Deferred tax liability
Deferred tax asset
Deferred tax expense
Closing deferred tax

(39,433)	325,419	285,986
-	8,573	8,573
(691)	-	(691)
(691)	8,573	7,882
(40,124)	333,992	293,868

Note

2020 2019

----- Rupees in thousands -----

23 TRADE AND OTHER PAYABLES

Trade creditors
Accrued liabilities
Bills payable
Advances from customers
Contractors retention money
Excise duty and sales tax payable
Provision for stores and spares (generator)
Payable to Gratuity Fund
Payable to Provident Fund
Workers' Profit Participation Fund
Workers' Welfare Fund
Sales tax payable
Other liabilities

23.1.1

23.3 & 23.4

23.4

38,792	87,811
125,144	136,166
123,881	6,728
30,536	31,724
8,754	6,068
33,795	29,452
-	26,496
34,795	21,224
1,518	-
39,656	55,554
15,069	23,015
5,883	-
14,605	3,818
472,428	428,056

23.1 Payable to Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the Fund carried out under Projected Unit Credit (PUC) Actuarial Cost Method as at June 30, 2020 are as follows:

- Discount rate used for year end obligation is 8.50% per annum (2019: 14.25% per annum).
- Discount rate used for interest cost in consolidated statement of profit or loss is 14.25% per annum (2019: 9.00% per annum).
- Expected rate of increase in salary level at 7.5% per annum (2019: 13.25% per annum).

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- Mortality rate used is SLIC 2001-2005 (2019: SLIC 2001-2005).

23.1.1 The amount recognised as liability in the consolidated statement of financial position is as follows:

	Note	2020	2019
----- Rupees in thousands -----			
Present value of defined benefit obligation	23.1.2	90,172	93,877
Fair value of plan assets	23.1.3	(55,377)	(72,653)
Closing net liability		<u>34,795</u>	<u>21,224</u>

23.1.2 Movement in present value of defined benefit obligation

Opening net liability		93,877	79,230
Current service cost		14,332	12,522
Interest cost		11,725	6,765
Benefits paid		(21,875)	(7,915)
Benefits due but not paid		(1,313)	(194)
Remeasurement (gain) / loss due to change in experience adjustments	23.1.6	(6,574)	3,469
Closing net liability		<u>90,172</u>	<u>93,877</u>

23.1.3 Movement in the fair value of plan assets

Opening fair value of plan assets		72,653	59,246
Expected return / interest income on plan assets	23.1.7	8,795	5,875
Employer contribution		-	19,984
Benefits paid		(21,875)	(7,915)
Benefit due but not paid		(1,313)	(194)
Return on plan assets excluding interest income	23.1.7	(2,883)	(4,343)
Closing fair value of plan assets	23.1.9	<u>55,377</u>	<u>72,653</u>

23.1.4 Movement in liabilities

Opening net liability		21,224	19,984
Charge for the year	23.1.5	17,262	13,412
Employer contribution		-	(19,984)
Remeasurements chargeable in other comprehensive income	23.1.6	(3,691)	7,812
Closing net liability		<u>34,795</u>	<u>21,224</u>

23.1.5 The amount recognised in consolidated statement of profit or loss is as follows:

Current service cost		14,332	12,522
Interest cost		11,725	6,765
Expected return / interest income on plan assets		(8,795)	(5,875)
		<u>17,262</u>	<u>13,412</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

23.1.6 The amount recognised in consolidated statement of other comprehensive income is as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
Remeasurement (gain) / loss due to change in assumption and experience adjustments	23.1.2	(6,574)	3,469
Return on plan assets excluding interest income	23.1.3	2,883	4,343
		<u>(3,691)</u>	<u>7,812</u>

23.1.7 Return on plan assets is as follows:

Expected return / interest income on plan assets	23.1.3	8,795	5,875
Return on plan assets excluding interest income	23.1.3	(2,883)	(4,343)
		<u>5,912</u>	<u>1,532</u>

23.1.8 Analysis of present value of defined benefit obligation and fair value of plan assets:

	2020	2019	2018	2017	2016
	----- Rupees in thousands -----				
Present value of defined benefit obligation	(90,172)	(93,877)	(79,230)	(84,760)	(69,270)
Fair value of plan assets	55,377	72,653	59,246	70,434	54,805
Deficit	<u>(34,795)</u>	<u>(21,224)</u>	<u>(19,984)</u>	<u>(14,326)</u>	<u>(14,465)</u>

23.1.9 Disaggregation of fair value of plan assets:

The fair value of the plan assets at the date of consolidated statement of financial position for each category is as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
Cash and cash equivalents (adjusted for current liabilities)		(890)	1,083
Mutual islamic funds		16,558	26,570
Certificate of islamic investments		39,709	45,000
	23.1.3	<u>55,377</u>	<u>72,653</u>

23.1.10 Sensitivity analysis (± 100 bps) on present value of defined benefit obligation:

	Discount rate		Salary increase	
	+100 bps	- 100 bps	+100 bps	- 100 bps
	----- Rupees in thousands -----			
2020	85,181	95,864	96,012	84,959
2019	88,660	99,805	99,960	88,430

23.1.11 The charge for the year has been allocated as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
Cost of sales	28	12,282	9,785
Selling and distribution cost	29	1,143	866
Administrative expenses	30	3,837	2,761
	23.1.5	<u>17,262</u>	<u>13,412</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

23.2	The following information is based on the audited financial statements of the Provident Fund:	Note	2020	2019
			----- Rupees in thousands -----	
	Size of the Fund - Total assets		85,909	92,996
	Cost of investments made		85,252	95,344
	Percentage of investments made		100%	98%
	Fair value of investments	23.2.1	85,800	91,259
23.2.1	Fair value of investment held by Provident Fund		2020	2019
			Rupees in thousands	%
	Bank balances		13,682	16%
	Term deposits		36,111	42%
	Mutual funds		36,007	42%
			85,800	100%
			Rupees in thousands	%
			4,035	4%
			55,152	60%
			32,072	36%
			91,259	100%
23.2.2	The investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated for this purpose.			
23.3	Workers' Profit Participation Fund (WPPF)	Note	2020	2019
			----- Rupees in thousands -----	
	Opening balance		55,554	66,306
	Allocation for the year	31	-	15,898
	Interest on opening balance	32	1,043	741
			56,597	82,945
	Payments made during the year		(16,941)	(27,391)
	Closing balance		39,656	55,554
23.4	The Subsidiary Company had obtained an opinion from its legal counsel regarding the applicability of welfare laws and other related matters on the Subsidiary Company and according to the opinion of the legal counsel no provision is made for WPPF & WWF in the financial statements for the year ended June 30, 2020.			
24	ACCRUED MARK-UP	Note	2020	2019
			----- Rupees in thousands -----	
	Syndicated term finance facility		33,933	37,219
	Short term borrowing		8,457	7,294
	Gratuity Fund		1,188	
			43,578	44,513
25	SHORT TERM BORROWINGS			
	Short-term running finance (secured)	25.1	306,544	285,080
25.1	The aggregate running finance facilities available from banks to the Holding Company as at June 30, 2020 amounted to Rs. 500 million (2019: Rs. 600 million) out of which Rs. 193.456 million (2019: Rs. 314.92 million) remained unutilized at the year end. The facilities aggregating to Rs. 400 million are secured by way of first pari passu charge over current assets & ranking charge on fixed assets with 25% margin. The remaining facilities aggregating to Rs. 200 million are secured by way of first pari passu hypothecation charge over all plant & machinery and ranking hypothecation charges over all current assets with 25% margin. These facilities are renewable annually and carry mark-up at 3-months KIBOR plus 1.25% - 3% p.a (2019: 3-months KIBOR plus 1.5% - 3% p.a).			

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

- 26.1.1** During the year 2014-2015, Deputy Commissioner Inland Revenue (DCIR) passed an assessment order under section 122(1)(5) of the Income Tax Ordinance, 2001 in respect of Tax Year 2014 raising a tax demand of Rs. 78.35 million by making certain disallowances and additions in taxable income as reported in the tax return of that year. The Holding Company filed an appeal with the Commissioner Inland Revenue - Appeals (CIR-A) against which the adverse order was passed by the CIR-A. Therefore, appeal has been filed before Appellate Tribunal Inland Revenue (ATIR) on February 19, 2016 against the said order relating to certain add backs/disallowances which is pending for hearing. In view of Holding Company's tax consultant, the Holding Company has an arguable case on merit, however, definite outcome cannot be predicted.
- 26.1.2** During the year 2013-14, the Additional Commissioner Inland Revenue - (ACIR) issued assessment order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain disallowances and additions in taxable income thereby raising a tax demand of Rs. 2.787 million in respect of Tax Year 2008. The Holding Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A). The management is confident that the Holding Company has an arguable case on merits, however definite outcome cannot be predicted. Hence, no provision is required to be made in these consolidated financial statements.
- 26.1.3** The Deputy Commissioner Inland Revenue (DCIR) has passed Assessment Orders in 2014-2015 raising an aggregate sales tax demand for Rs. 5.989 million by disallowing certain input tax claimed by the Holding Company in its sales tax return for tax period from July 2012 to February 2015. The Holding Company had filed appeals against such Assessment Orders before Commissioner Inland Revenue (CIR-A) who has passed orders aggregating to Rs. 5.91 million in favor of the Holding Company. During the year ended June 30, 2016, tax department has filed appeals against the said orders before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing. In view of Holding Company's tax consultant, favourable outcome of such appeals are anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.4** In respect of tax periods from July 2012 to December 2014, an Order in Original (ONO) was issued by an Officer of Sales Tax in 2014-2015 against the Holding Company raising a demand of Rs. 244.274 million which is mainly based on comparison of industry average for fuel and power consumption with that of the Holding Company and thereby presuming the production quantities which in the view of tax authorities have not been subject to Sales Tax and Federal Excise Duty. Accordingly, the Holding Company has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the ONO passed by the Officer of Sales Tax, however CIR-A decided the case against the Holding Company. Accordingly, the Holding Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A. Moreover, recovery proceedings were also initiated by tax authorities in the matter for an aggregate demand amount of Rs 488.548 million including 100% penalty on the principal amount as aforesaid. Therefore, the Holding Company filed a stay application against the said aggregate demand before the High Court of Sindh. The High Court of Sindh has allowed ad interim relief against recovery of demand and refrained tax authorities to take any adverse action in this respect. During the year ended June 30, 2017, Appellate Tribunal Inland Revenue (ATIR) has passed an order in favor of the Holding Company. During the year ended June 30, 2018, the Commissioner Inland Revenue has filed an appeal in the High Court of Sindh against the order passed by Appellate Tribunal Inland Revenue in favour of the Holding Company. The matter is pending for adjudication. In view of the Holding Company's legal counsel, the case is sound in law, however definite outcome cannot be predicted with any degree of certainty.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 26.1.5** During the year ended June 30, 2018, an Order in Original (ONO) has been issued by Deputy Commissioner Inland Revenue (DCIR) against the Holding Company in respect of tax periods from July 2013 to August 2017 raising a demand of Rs. 56.632 million by disallowing certain input tax claimed by the Holding Company in its sales tax returns for the aforesaid tax period. The Holding Company has filed an appeal on March 28, 2018 against the ONO passed by DCIR before Commissioner Inland Revenue - Appeals (CIR-A). The appeal has been decided in favor of the Holding Company. The Commissioner Inland Revenue has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A) in favour of the Holding Company. The matter is pending for adjudication. In view of Holding Company's tax consultant, favourable outcome of such appeals are anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.6** During the year ended June 30, 2018, Deputy Commissioner Inland Revenue (DCIR) passed an order under section 161/205 of the Income Tax Ordinance, 2001(the Ordinance) in respect of tax year 2017 raising a tax demand of Rs. 94.670 million including default surcharge and penalty aggregating to Rs 15.208 million on the ground that Holding Company has not deducted applicable withholding taxes while making payments for purchases & certain expenses and hence made default under section 161/205 of the Ordinance. The Holding Company has filed an appeal on May 4, 2018 before Commissioner Inland Revenue - Appeals (CIR-A) against the order passed by DCIR. The CIR-A has passed the order in favor of the Holding Company. However, Commissioner Inland Revenue, Zone II, Large Taxpayer Unit, Karachi has filed an appeal with the Apellate Tribunal Inland Revenue (ATIR) against the order of Commissioner Inland Revenue - Appeals (CIR-A) passed in favor of the Holding Company. In view of the Holding Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.7** During the year ended June 30, 2019, Assistant Commissioner Inland Revenue (ACIR) passed an order under section 122(1) of the Income Tax Ordinance, 2001(the Ordinance) in relation to tax audit conducted under section 177 of the Ordinance, in respect of tax year 2016. Through the said order, ACIR has disallowed deduction of certain expenses, deductible allowance of WPPF and tax credit claimed under section 65B of the Ordinance amounting to Rs 28.497 million, Rs 35.768 million and Rs 16.915 million respectively. The Holding Company has filed an appeal on September 13, 2018 before Commissioner Inland Revenue - Appeals (CIR-A) against the order passed by ACIR. While deciding the appeal, CIR-A has allowed deduction of Rs 28.497 million whereas deduction allowance of WPPF and tax credit under section 65B were upheld by CIR-A. Therefore, the Holding Company has filed an appeal on November 12, 2018 before the Apellate Tribunal Inland Revenue (ATIR) against the order of CIR-A on the said disallowances which is pending for hearing. In view of the Holding Company's tax consultant, favorable outcome of such appeals are anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.8** Deputy Commissioner Inland Revenue (DCIR) issued an order-in-original (ONO) dated June 28, 2019 in respect of sales tax audit for the tax period from July 2017 to June 2018 raising a demand of Rs. 7.452 million (including default surcharge and penalty) by disallowing certain input tax claimed by the Holding Company in its sales tax return for the aforesaid tax period. The Holding Company filed an appeal before Commissioner Inland Revenue-Appeals (CIR-A) against ONO issued by DCIR. While deciding appeal, CIR-A has deleted the disallowances of input tax amounting to Rs. 7.086 million and confirmed disallowance amounting to Rs. 0.011 million. The Department has filed an appeal against the CIR-A's Order before the Appellate Tribunal Inland Revenue Karachi. The case is not yet fixed for hearing. In view of Holding Company's tax consultant, favourable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 26.1.9** Showcause notice u/s 122 (5A) of the ITO, 2001 dated February 15, 2019 was issued by Additional Commissioner Inland Revenue (ACIR) Zone II, LTU containing observations relating to self-assessment order u/s 120 of ITO, 2001 for the tax year 2017. The Holding Company explained observations and attended hearings from time to time. However, learned ACIR passed Amended Assessment Order dated July 02, 2019 raising a demand of 34.094 million by disallowing certain expenses and tax credits. Such disallowances include fuel adjustment of Rs. 3.678 million, reduction in b/f tax credit u/s 65B of ITO, 2001 relating to tax year 2016 and disallowance of WPPF contribution. Management of the Holding Company has filed the appeal against the impugned order before Commissioner Inland Revenue-Appeals (CIR-A). The CIR-Appeals annulled the assessment order vide his order no. 18 dated September 06, 2019. On November 21, 2019, ACIR issued notice to the company for further clarification/explanation regarding fuel adjustment, WPPF and WWF to pass the appeal effect order. The management of the Holding Company provided the required clarification/explanation, however, appeal effect order has not yet been passed by ACIR.
- 26.1.10** On September 05, 2019, an Order in Original (ONO) has been issued by Deputy Commissioner Inland Revenue (DCIR) against the Holding Company in respect of Sales tax audit for the tax period from July 2018 to December 2019 raising a demand of Rs. 0.150 million including default surcharge and penalty by disallowing certain input tax amounting to Rs. 0.143 million claimed by the Holding Company in its sales tax returns for the aforesaid tax period. The Holding Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the said order. In view of Holding Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.11** The Deputy Commissioner Inland revenue (DCIR) has issued showcause notice dated September 05, 2019 to the Holding Company for the Tax Year 2019 and disallowed input tax amounting to Rs. 24.2 million on some taxable purchases and services received by the Holding Company for the purpose of business during the period from July 01, 2018 to June 30, 2019. In response to showcause notice, the Holding Company attended hearings from time to time and provide documents, explanations and supporting evidences. However, the learned DCIR has passed an order in original (ONO) on February 13, 2020 disallowing input tax to the extent of Rs. 0.951 million. The Holding Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the said order. In view of Holding Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.12** The learned DCIR has issued an order dated February 26, 2020 as a result of monitoring of withholding taxes under Income Tax Ordinance, 2001 for tax year 2018. DCIR raised a demand of Rs. 0.499 million (including default surcharge and penalty) on the grounds that Holding Company has not deducted applicable withholding taxes at the time of making payments of certain expenses and hence made default under section 161/205/182 of the Income Tax Ordinance. The Holding Company has filed an appeal before Commissioner Inland Revenue Appeals (CIR-A) against the order passed by DCIR which is pending for hearing. In view of Holding Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.
- 26.1.13** Deputy Commissioner Inland Revenue (DCIR) issued a notice on January 31, 2020 under Section 177 of the Income Tax Ordinance, 2001 for the purpose of Income Tax audit of the Company for the Tax Year 2015. The Holding Company attended hearings from time to time and provided supporting documents and explanations against the audit observations raised by DCIR. However, the learned DCIR passed an amended assessment order on April 28, 2020 and raised the tax demand of Rs. 0.6 million by disallowing certain admissible expenses including leave encashment, donation expense, salary expense and Tax credit u/s 65B. The Holding Company has filed an appeal before Commissioner Inland Revenue - Appeal (CIR-A) against the disallowances which is pending for hearing. In view of the Holding Company's tax consultant, favorable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 26.1.14** Certain ex-employees of the Holding Company contested the Company's gratuity policy of 30 days and filed a Suit against the Holding Company demanding 60 days gratuity as applicable to the employees of former holding company having an impact of Rs. 14.9 million. The said Suit has been decided in favour of the applicants. However, the Holding Company challenged the said order vide C.P. no. 591/2013, before the Sindh High Court at Hyderabad and later on filed Labour Appeal No. 04/2014, before the Sindh Labour Court No. VI at Hyderabad being the Court of appropriate jurisdiction. After dismissal of the said appeal, a revision application has been filed before the Sindh Labour Appellate Tribunal, Karachi. The Tribunal also dismissed the appeal and hence C.P. no. D - 2636 has been filed on November 2, 2015 before the High Court of Sindh at Hyderabad wherein stay has been granted by the High Court. The matter is pending for disposal. In view of the Holding Company's legal counsel, no definite outcome can be anticipated but the Holding Company has a good case.
- 26.1.15** An ex-employee of the Holding Company had filed CP # 86/2013 on May 21, 2013 for recovery of Rs. 2.10 million out of which an amount of Rs. 0.248 million has been claimed on account of 60 days gratuity and numerous other false and fabricated claims of short payments of Rs. 1.86 million. In view of the Holding Company's legal counsel, the Holding Company has a good case whereas no definite outcome can be estimated.
- 26.1.16** Ex-workers of Labour Contractor had filed applications against the Holding Company before the Labour Court at Hyderabad for reinstatement of their services which were not maintainable therefore, dismissed by the Court. The decision has been challenged vide Appeal no. Hyd-25/2016, Hyd-26/2016, Hyd-27/2016 and Hyd-28/2016 before the Sindh Labour Appellate Tribunal in Karachi. During the year ended June 30, 2018, Sindh Labour Appellate Tribunal has disposed of the appeals filed by ex-workers of contractor by awarding them the compensation instead of reinstatement of their services. The Holding Company has challenged the said decision on January 5, 2018 before the High Court of Sindh, Hyderabad. In view of the Holding Company's legal counsel, the Holding Company has a good case whereas no definite outcome can be estimated.
- 26.1.17** During the year ended June 30, 2017, an ex-employee of the Holding Company had filed a Suit no. 51/2017 for recovery of damages, salaries and mesne profit of Rs. 197 million in the High Court of Sindh. The said ex-employee was dismissed from the Holding Company's service on November 1, 1999 due to involvement in serious acts of misconduct. The said person has challenged the dismissal before different forums including High Court of Sindh, Federal Services Tribunal and the Supreme Court of Pakistan and lost all the cases. In view of the Holding Company's legal counsel, this litigation will also lead to the same fate as detailed above.
- 26.1.18** During the year ended June 30, 2000, two cement dealers had filed Suit no. 150/2001 & 151/2001 against the Holding Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Holding Company in lieu of outstanding dues from these dealers. The matter is pending for adjudication. In view of the Holding Company's legal counsel, no unfavorable outcome can be estimated.
- 26.1.19** The Subsidiary Company entered into Power Purchase Agreement (PPA) with Hyderabad Electric Supply Company Limited (HESCO) on May 14, 2011 to sell electricity at rates agreed in the said agreement. The agreement was executed in accordance with the Policy Framework for New - Captive Power Producers (N-CPPs). Subsequently, National Electric Power Regulatory Authority (NEPRA) issued an order (dt January 9, 2013) revising the tariff formula resulting in reduced tariff. In view of the said order, HESCO intimated to pay its dues for electricity purchased as per the revised tariff formula. In response, the Subsidiary Company filed a petition # 132 before the Honorable High Court of Sindh on February 8, 2013, against HESCO, on the grounds that HESCO failed to pay the dues to the Subsidiary Company as per PPA. The Honorable High Court of Sindh disposed off the petition filed by the Subsidiary Company with the direction to HESCO to pay TPPL against purchase of electricity as per the rates stipulated in PPA until 01-02-2012 and thereafter on the rates determined by NEPRA. In view of the adverse order and according to the advice of the legal counsel the Subsidiary Company had filed an appeal CA No. 1133/2015 before the Supreme Court of Pakistan on October 28, 2015 against the order passed by the High Court of Sindh. Consequently, HESCO & NEPRA have also filed appeals before the Supreme Court of Pakistan against the same order, which are pending for adjudication.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

26.1.20 As per clause 132 of Second Schedule of the Income Tax Ordinance, 2001, business income of Subsidiary Company is exempt from Income Tax. On that basis the Subsidiary Company had filed income tax return for the tax year 2013 while claiming exemption from business income and paid income tax on interest income. This exemption was challenged by Commissioner Inland Revenue, Hyderabad and subsequently tax demand was raised amounting to Rs. 154 million rejecting the basic income tax exemption and also increased the Subsidiary Company's taxable income based on certain unreasonable grounds. The Subsidiary Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR). Moreover, tax department also issued a show cause notice (dated March 4, 2015) for the Tax Year 2014 rejecting the claim of income tax exemption on the same basis. The Subsidiary Company filed a petition before the Honorable High Court of Sindh in respect of the show cause notice issued by FBR and High Court of Sindh granted the stay in respect of show cause notice issued by FBR to refrain tax department to issue assessment order and initiate recovery proceedings there against. Subsequently the High Court of Sindh has vacated the stay of demand with effect from November 11, 2015 and has ordered the Appellate Tribunal Inland Revenue (ATIR) to decide the case within two months from the date of the order. The hearing of the appeal was held on September 21, 2016 and the ATIR issued an order on January 7, 2017 and set-aside the appeal of the Subsidiary Company for exemption under clause 132 of Second Schedule of the Income Tax Ordinance, 2001, while accepting the Subsidiary Company's argument in principle.

Moreover, tax consultant suggested to file a Miscellaneous Application (MA) before the ATIR requesting to decide the matter instead of set-aside the appeal. The hearing was held on April 27, 2017 and a favorable order was passed by ATIR on May 4, 2017, thereby allowing the Subsidiary Company to claim exemption under clause 132 of Second Schedule of the Income Tax Ordinance, 2001. Thereafter, Commissioner Inland Revenue has filed an appeal against the order passed by ATIR in the High Court of Sindh which is pending for adjudication.

The hearing of the appeal was held and a favorable order was passed by ATIR, thereby allowing the Subsidiary Company to claim exemption under clause 132 of Second Schedule of the Income Tax Ordinance, 2001. Thereafter, Commissioner Inland Revenue has filed an appeal on August 29, 2017 against the order passed by ATIR in the High Court of Sindh which is pending for adjudication.

26.1.21 Sales Tax audit for the tax period June 2012 to Aug 2013 was initiated by FBR and an adverse order was issued amounting to Rs. 10.645 Million. Basis of the order were very weak and the management has filed an appeal before Commissioner Inland Revenue – Appeals (CIR- A) through its sales tax consultant Shekha & Mufti Chartered Accountants on June 29, 2015. The hearing of the case was held on October 3, 2015 and a favorable order was passed by CIR-A on December 7, 2015, thereby allowing input sales tax claimed by the Subsidiary Company to the extent of Rs. 10.513 million and upheld the Sales Tax demand of Rs. 0.132 million, which was accordingly paid by the Subsidiary Company. Subsequently FBR has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR-A, which is pending for adjudication.

26.1.22 The Deputy Commissioner Inland Revenue (DCIR) has disallowed the input sales tax on services claimed by the Subsidiary Company and raised a demand of Rs. 2.77 million. The Subsidiary Company had filed an appeal against the order passed by DCIR before CIR-Appeals. A favorable order was passed by CIR-A, thereby allowing input sales tax claimed by the Company. Subsequently, CIR has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR-A, which is pending for adjudication.

26.1.23 During the year, the Assistant Commissioner Withholding Tax Unit,-VII, Regional Tax Office, Hyderabad (ACIR) issued show cause notice to u/s 161 (1) (1A) of the Ordinance to give effects to order-in-appeal dated March 28, 2018 wherein it was investigate payment of amounts that were declared as outstanding as on June 30, 2016 during original proceedings. The case was fixed for hearing on June 22, 2020 however due to COVID-19 all hearings were suspended, therefore the Subsidiary Company requested for adjournment till July 15, 2020. The learned ACIR issued ex parte order on June 27th, 2020 ignoring the request for adjournment filed by the Subsidiary Company thereby creating demand of Rs 55.117 million. The Subsidiary Company had filed an appeal u/s 127 of the Ordinance through its consultant. Hearing in the case was fixed on August 18, 2020. The Commissioner (Appeals) Hyderabad vide his order-in-appeal no 53 dated August 27, 2020 annulled the order passed and deleted the demand created therein.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

26.1.24 The Additional Commissioner Inland Revenue (ADCIR) issued Show Cause Notice (SCN) u/s 122(9) of the Ordinance in respect of tax year 2014. The SCN was issued for two issues i.e. exemption claimed under clause (132) Part I of Second Schedule of the Ordinance and claim of deductions against income from other sources u/s 4o of the Ordinance. These two issues were considered as erroneous as well as prejudicial to the interest of the revenue by the leaned ADCIR. The management of the Subsidiary Company provided detailed workings and explanations for both issues raised as aforementioned. However evidences and explanations offered by the Subsidiary Company could not attain ADCIR's satisfaction hence he passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 (the 'Ordinance') creating a demand of Rs 87.567 million. The Subsidiary Company had filed an appeal u/s 127 of the Ordinance through its consultant M/s Sharjeel Ayub & Co Chartered Accountants. Hearing in the case was fixed on August 18, 2020. The Commissioner (Appeals) Hyderabad vide his order-in-appeal no 41 dated August 26, 2020 annulled the order passed and deleted the demand created therein.

26.1.25 During the year, the Subsidiary Company has filed an Appeal No. 253/2019 against Assistant Commissioner Sindh Revenue Board (SRB) before the Commissioner Appeals, Sindh Revenue Board, Karachi. In the said appeal the Subsidiary Company has challenged OnO No. 716/2019 dated 15.10.2019 alleging non-payment of Sindh Workers Participation Fund (SWPF) for the Accounting year ended 30th June, 2013 claiming an amount of Principal of Rs. 9.135 million and Penalties Rs. 0.224 million. However, the legal advisors of the Subsidiary Company believes that the Subsidiary Company has strong grounds that the order passed by the Assistant Commissioner (AC), Sindh Revenue Board without jurisdiction, the Sindh Companies Profits (Workers' Participation) Act, 2015 (Sindh Act No. XVIII of 2016) cannot be applicable retrospectively as the AC wrongly relied upon the judgment dated 12.02.2018 in CP. No. D-1313 of 2013 of the Hon'ble High Court of Sindh as also the Subsidiary Company has no direct, indirect or contractual workers besides other grounds and the appeal will be decided in favor of the Subsidiary Company.

26.2 Commitments

26.2.1 Guarantees given by commercial banks to Sui Southern Gas Company Limited on behalf of the Group amount to Rs. 351 million (2019: Rs. 351 million).

26.2.2 Other outstanding guarantees given on behalf of the Group by banks amount to Rs. 3 million (2019: Rs. 3 million).

26.2.3 Irrevocable letter of credit under revenue & capital expenditure as on June 30, 2020 were Rs. Nil million (2019: Rs. 64.196 million) & Rs. Nil million (2019: Rs. 47.008 million) respectively.

26.2.4 Commitment in respect of capital expenditure under deferred payment letter of credit were Rs. Nil million (2019: Rs. 50.466 million).

		2020	2019
		----- Rupees in thousands -----	
26.2.5	Operating lease commitments:	Note	
	0 - 1 year	1,916	1,741
27	SALES - NET		
	Gross Sales		
	- Local	3,173,270	4,685,470
	- Export	220,822	784,738
		3,394,092	5,470,208
	Less:		
	- Federal Excise Duty	465,677	599,368
	- Sales tax	493,378	736,462
		959,055	1,335,830
		2,435,037	4,134,378
		27.1 & 27.2	

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

27.1 The Group's revenue disaggregated by primary geographical markets is as follows.

Sale of cement, clinker and electric power

Primary geographical markets

Sale of cement and clinker

Within Pakistan

Outside Pakistan

Sale of electric power

Within Pakistan

2020	2019
----- Rupees in thousands -----	
1,534,405	2,683,673
220,822	784,738
679,810	665,967
<u>2,435,037</u>	<u>4,134,378</u>

27.2 Group's revenue disaggregated by pattern/timing of revenue recognition is as follows.

Timing of revenue recognition

Note

Goods/electric power transferred at a point in time

2020	2019
----- Rupees in thousands -----	
<u>2,435,037</u>	<u>4,134,378</u>

28 COST OF SALES

Raw material consumed

28.1

100,388

193,461

Manufacturing expenses

Fuel and power

Salaries, wages and other benefits

Depreciation on property, plant & equipment

Stores, spare parts and loose tools consumed

Packing material consumed

Repairs, operations and maintenance

Insurance

Vehicle hire, running and maintenance

Other production overheads

Communication

Provision / (reversal) for slow moving & obsolete stores and impairment of major stores & spares

Entertainment

28.3

6.2

28.2

6.4 & 9

1,331,919

280,755

183,672

80,161

67,608

29,849

13,870

9,389

4,825

1,668

3,118

804

2,007,638

1,923,502

284,857

190,920

109,534

150,193

41,714

20,471

11,956

6,333

2,294

4,733

1,544

2,748,051

Cost of production

2,108,026

2,941,512

Work-in-process

Opening balance

Closing balance

10

269,597

(288,870)

(19,273)

384,911

(269,597)

115,314

Cost of goods manufactured

2,088,753

3,056,826

Finished goods

Opening balance

Closing balance

10

34,773

(50,095)

(15,322)

2,073,431

41,545

(34,773)

6,772

3,063,598

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

			2020	2019
			----- Rupees in thousands -----	
28.1	Raw material consumed	Note		
	Opening balance		20,399	46,972
	Purchases		98,576	166,888
			<u>118,975</u>	<u>213,860</u>
	Closing balance	10	(18,587)	(20,399)
		28.1.1	<u>100,388</u>	<u>193,461</u>

28.1.1 It includes royalty amounting to Rs. 4.678 million (2019: Rs. 8.599 million) relating to Lime Stone and Clay Shale, payable to Director General Mines & Mineral Development, Government of Sindh.

			2020	2019
			----- Rupees in thousands -----	
28.2	Packing material consumed	Note		
	Opening balance		46,208	30,611
	Purchases		58,362	165,790
			<u>104,570</u>	<u>196,401</u>
	Closing balance	10	(36,962)	(46,208)
			<u>67,608</u>	<u>150,193</u>

28.3 This includes employees' retirement benefits amounting to Rs. 21.243 million (2019: Rs. 19.495 million).

			2020	2019
			----- Rupees in thousands -----	
29	SELLING AND DISTRIBUTION COST	Note		
	Export logistics and related charges		49,852	156,307
	Salaries, wages and other benefits	29.1	16,767	17,646
	Commission		7,591	13,385
	Loading and others		5,546	11,405
	Rent, rates and taxes		2,492	2,203
	Freight charges - local sale		2,214	11,555
	Vehicle running expenses		1,561	1,391
	Marking fee expense		812	1,879
	Depreciation on property, plant & equipment	6.2	789	773
	Sales promotion expenses		635	1,555
	Communication		345	313
	Travelling and conveyance		327	647
	Repair and maintenance		301	270
	Entertainment		234	215
	Utilities		149	260
	Printing and stationery		79	74
	Advertisements		59	24
	Miscellaneous		7	356
			<u>89,760</u>	<u>220,258</u>

29.1 This includes employees' retirement benefit amounting to Rs. 1.879 million (2019: Rs. 1.602 million).

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

30	ADMINISTRATIVE EXPENSES	Note	2020	2019
			----- Rupees in thousands -----	
	Salaries, wages and other benefits	30.1	50,260	53,875
	Board, Audit and HR Committee meeting fees		3,020	4,600
	Vehicle running expenses		2,731	2,721
	Travelling and conveyance		352	79
	Advertisements		165	353
	Communication, postage, telegram		1,218	1,306
	Printing and stationery		542	1,879
	Rent, rates and taxes		4,729	4,192
	Entertainment		1,108	1,752
	Legal and professional charges		3,372	5,880
	Insurance		367	358
	Repairs and maintenance		3,609	3,800
	Utilities		1,499	1,726
	Fees and subscription		4,668	2,996
	Corporate expenses		759	1,283
	Charity and donation	30.2	542	1,311
	Auditors' remuneration	30.3	1,680	1,494
	Other auditors' remuneration	30.4	2,103	1,780
	Depreciation on property, plant & equipment	6.2	2,223	3,443
	Amortization of intangible assets	7	-	2,800
	Education expenses		3,414	6,584
	Fixed assets written off	6.1.1	3	11,519
	Provision as per doubtful debt	11	897	2,182
	Miscellaneous		1,256	550
			<u>90,517</u>	<u>118,463</u>

30.1 This includes employees' retirement benefit amounting to Rs. 6.456 million (2019: Rs. 5.683 million).

30.2 None of the directors or their spouses have any interest in any donee's fund to which donation was made.

30.3	Auditor's remuneration	2020	2019
		----- Rupees in thousands -----	
	Annual audit fee	1,164	1,175
	Half yearly review fee	250	77
	Audit fee for consolidated financial statements	42	38
	Fee for other services	49	38
	Out of pocket expenses	175	166
		<u>1,680</u>	<u>1,494</u>
30.4	Other auditors' remuneration		
	Internal audit fee	1,960	1,577
	Out of pocket expenses	143	203
		<u>2,103</u>	<u>1,780</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
31 OTHER OPERATING EXPENSES			
Workers' Welfare Fund		-	6,740
Workers' Profit Participation Fund	23.3	-	15,898
Loss on disposal of property, plant & equipment		-	20
Exchange loss		16,194	22,421
Loss on sale of store items		173	-
Others		2,740	-
		<u>19,107</u>	<u>45,079</u>
32 FINANCE COST			
Mark-up on long term financing		120,275	45,667
Mark-up on short term borrowings		37,256	25,076
Mark-up on Workers' Profit Participation Fund	23.3	1,043	741
Mark-up on Gratuity Fund	38.2.1	1,188	-
Amortization of transaction cost		3,217	-
Bank charges and commission		8,047	8,994
		<u>171,026</u>	<u>80,478</u>
33 OTHER INCOME			
Income from financial assets			
Interest on term deposit/bank accounts	33.1	39,519	33,236
Exchange Gain		11	-
		<u>39,530</u>	<u>33,236</u>
Income from non-financial assets			
Scrap sales		4,326	6,076
Rental income		536	495
Gain on disposal of property, plant & equipment		104	-
Written back provision for store & spares (generator)		26,496	-
Gain on sale of store items		-	176
Exchange Gain		246	-
Others		2,893	442
		<u>34,601</u>	<u>7,189</u>
		<u>74,131</u>	<u>40,425</u>
33.1	Income earned from bank deposits are under interest / mark-up arrangements with conventional banking system.		
34 TAXATION			
		2020	2019
		----- Rupees in thousands -----	
Current		34,367	79,435
Prior year		(1)	-
Deferred		(8,718)	7,882
		<u>25,648</u>	<u>87,317</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

34.1 Relationship between tax expense and accounting profit:

	2020	2019
	----- Rupees in thousands -----	
Profit before tax	65,327	646,927
Tax at 29%	18,945	187,609
Tax effect of		
- admissible/inadmissible expenses in determining taxable income - net	-	1,209
- unrealized profit	39,415	(1,878)
- income charged at different rates	720	(1,878)
Exempt income	2,211	7,860
Tax Credit under section 65B	(50,515)	(94,568)
Prior year's tax reversal	-	(20,797)
Minimum Tax U/s 113	(1)	-
Tax effect on taxable temporary differences - net	23,591	-
	(8,718)	7,882
	<u>25,648</u>	<u>87,317</u>

34.2 The returns of income of the Holding Company have been filed upto and including Tax Year 2019 (corresponding to financial year ended June 30, 2019) which are treated as deemed assesment order by Commissioner Inland Revenue under section 120 of Income Tax Ordinance, 2001. However, assesment order(s) including deemed assesment orders may be amended by the CIR within five years from the expiry of the financial year in which such order(s) is issued or further amended within one year from the end of financial year in which such amended orders issued.

Deemed assesment orders in respect of tax years 2015, 2016 and 2017 were amended by CIR.

34.3 As per section 5A of the Income Tax Ordinance, 2001, in case a public company which does not distributes 20% of its after tax profit for the year within six months of the end of the tax year through cash, a tax at the rate of 5 percent of its accounting profit before tax shall be imposed. The Holding Company earned a profit after tax of Rs. 213.522 million for the year ended June 30, 2019, however, keeping in view the lower profitability and foreseeing the challenging conditions faced by cement sector in the year ahead, the Board of Directors did not recommended any dividend for the year ended June 30, 2019.

The Holding Company filed a Constitutional Petition (CP) before the Sindh High Court (SHC) challenging the vires of Section 5A of the Income Tax Ordinance, 2001 and SHC accepted the CP and granted stay against the aforementioned section. In view of Holding Company's legal consultant, favourable outcome is anticipated. Hence no provision for tax liability in this respect has been recorded by the Holding Company in these consolidated financial statements.

34.4 During the year, amendment made under section 65B of the Income Tax Ordinance, 2001 through the Finance Act, 2019 whereby the percentage of tax credit on investment in plant and machinery has been reduced from 10% to 5% for the tax year 2019 which is subject to adjustment against the refund or may required to be paid with the Return of Income. The Holding Company filed a petition in the high court against the amendment and obtained stay order as the likely impact of the amendment in 65B would be Rs. 10.398 million. The management is confident that the Holding Company has an arguable case on merits. Hence, no provision has been recorded in the consolidated financial statements, since till the next date, no adverse action shall be taken against the Holding Company in respect of this case.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

35 EARNINGS PER SHARE - BASIC AND DILUTED

35.1	Basic earnings per share	2020	2019
	(Loss) / profit for the year attributable to the owners of the Holding Company (Rupees in thousands)	<u>(34,596)</u>	<u>429,585</u>
	Weighted average number of ordinary shares (number of shares)	<u>99,718,125</u>	<u>99,718,125</u>
	(Loss) / earnings per share - basic and diluted (Rupees)	<u>(0.35)</u>	<u>4.31</u>

35.2 Diluted earning per share

Diluted earnings per share has not been presented as the Holding Company did not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

36	CASH AND CASH EQUIVALENTS	Note	2020	2019
			----- Rupees in thousands -----	
	Cash and bank balances	17	<u>60,599</u>	119,234
	Short term borrowings	25	<u>(306,544)</u>	<u>(285,080)</u>
			<u>(245,945)</u>	<u>(165,846)</u>

37 CAPACITY AND ACTUAL PRODUCTION

37.1	Thatta Cement Company Limited		2020	2019
	Production capacity - clinker (tons)	37.1.1	<u>548,400</u>	548,400
	Actual production - clinker (tons)	37.1.1	<u>258,158</u>	470,245
	Actual production - cement (tons)	37.1.2	<u>197,463</u>	366,649

37.1.1 The production capacity utilization of clinker during the year has remained at 47.07% (2019: 85.75%).

37.1.2 Cement from clinker is produced in accordance with the market demand.

37.1.3 In the prior years, the 'production capacity' and the resulting 'production capacity utilization' has been understated and overstated respectively. The Company has rectified the same.

37.2	Thatta Power (Private) Limited	2020	2019
	Installed capacity - kWh	<u>237,422,280</u>	202,356,000
	Total output - kWh	<u>72,096,840</u>	99,103,622
	Load factor	<u>30.37%</u>	48.97%

37.2.1 Installed capacity has been computed on the basis of 8,760 hours (2019: 8,760 hours).

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

38 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of associated undertakings and related group companies, directors of the Group, key management personnel and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity scheme) is in accordance with the actuarial advice.

Details of transactions during the year ended / outstanding balances as at June 30, 2020 with related parties are as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
38.1 Transactions with related parties			
38.1.1 Key management personnel			
Salaries and benefits	39	56,873	67,281
Sale of vehicle		-	102
38.1.2 Other related parties			
Contribution to employees' Gratuity Fund	23.1.4	-	19,984
Markup on account of payable to Gratuity Fund	32	1,188	-
Contribution to employees' Provident Fund		8,753	9,850
Education expenses - Model Terbiat School	30	3,309	6,312
38.2 Balances with related parties			
38.2.1 Other related parties			
Payable to Employees' Gratuity Fund	23.1.4	35,983	21,224
Payable to Employees' Provident Fund		754	-
38.2.2	There are no transactions with key management personnel other than under their terms of employment and as further disclosed under note 39.		

39 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for the year in respect of remuneration to the Chief Executive, Directors and Executives of the Group are as follows:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees in thousands -----			
Managerial remuneration	14,353	29,141	12,000	42,537
Leave fare allowance	725	1,407	303	885
Bonus	1,550	3,354	606	2,148
Retirement benefits	2,113	3,955	1,966	6,439
Other benefits	156	119	157	240
	<u>18,897</u>	<u>37,976</u>	<u>15,032</u>	<u>52,249</u>
Number of person(s)	<u>2</u>	<u>11</u>	<u>1</u>	<u>13</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

39.1 The Chief Executive, Executive Director and Executives are provided with free use of Company maintained car(s) and other benefits in accordance with their entitlement as per rules of the Group.

39.2 An aggregate amount of Rs. 3.020 million (2019: Rs. 4.60 million) was paid to Non-Executive Directors during the year on account of Board, Audit Committee and HR & Remuneration Committee meeting fees.

40 OPERATING SEGMENTS

For management purposes the Group is organized into following major business segments.

Cement Engaged in manufacturing and marketing of cement.
Power Engaged in generation and sale of electric power.

40.1 Revenues

	Cement		Power		Intra group adjustment		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
----- Rupees in thousands -----								
Sales - net	1,755,227	3,468,411	1,196,210	1,381,288	(516,400)	(715,321)	2,435,037	4,134,378
Cost of sales	(1,703,127)	(2,796,444)	(901,703)	(989,934)	531,399	722,780	(2,073,431)	(3,063,598)
Gross profit	52,100	671,967	294,507	391,354	14,999	7,459	361,606	1,070,780
Selling and distribution cost	(89,760)	(220,258)	-	-	-	-	(89,760)	(220,258)
Administrative expenses	(85,292)	(102,244)	(26,484)	(35,545)	21,259	19,326	(90,517)	(118,463)
	(175,052)	(322,502)	(26,484)	(35,545)	21,259	19,326	(180,277)	(338,721)
Operating profit	(122,952)	349,465	268,023	355,809	36,258	26,785	181,329	732,059
Other operating expenses	(19,107)	(34,633)	-	(10,446)	-	-	(19,107)	(45,079)
Finance cost	(44,153)	(50,620)	(127,772)	(29,858)	899	-	(171,026)	(80,478)
	(63,260)	(85,253)	(127,772)	(40,304)	899	-	(190,133)	(125,557)
Other income	45,278	31,106	63,471	29,631	(34,618)	(20,312)	74,131	40,425
Segment results	(140,934)	295,318	203,722	345,136	2,539	6,473	65,328	646,927
Unallocated expenditures	-	-	-	-	-	-	-	-
(Loss)/profit before taxation	(140,934)	295,318	203,722	345,136	2,539	6,473	65,327	646,927
Taxation	(17,084)	(81,796)	(8,564)	(5,521)	-	-	(25,648)	(87,317)
(Loss)/profit for the year	(158,018)	213,522	195,158	339,615	2,539	6,473	39,679	559,610

40.2 Other information

	Cement		Power		Intra group adjustment		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
----- Rupees in thousands -----								
Segment assets	3,477,100	3,610,100	3,655,345	3,618,069	(391,814)	(398,787)	6,740,631	6,829,383
Unallocated corporate assets	-	-	-	-	-	-	-	-
Total assets	3,477,100	3,610,100	3,655,345	3,618,069	(391,814)	(398,787)	6,740,631	6,829,383
Segment liabilities	1,012,521	991,194	1,324,419	1,482,301	(75,377)	(79,811)	2,261,563	2,393,684
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
Total liabilities	1,012,521	991,194	1,324,419	1,482,301	(75,377)	(79,811)	2,261,563	2,393,684
Capital expenditure	24,050	33,154	95,775	1,153,108	-	-	119,825	1,186,262
Depreciation	87,648	139,853	99,036	55,283	-	-	186,684	195,136
Non-cash expenses other than depreciation	1,130	7,782	1,992	-	-	-	3,122	7,782

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

40.3 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2020	2019
	----- Rupees in thousands -----	
40.3.1 Operating revenues		
Total revenue of reportable segments	2,951,437	4,849,699
Elimination of intra group revenue	(516,400)	(715,321)
Consolidated revenue	<u>2,435,037</u>	<u>4,134,378</u>
40.3.2 Profit or loss		
Total profit before taxation of reportable segments	62,788	640,454
Adjustment of unrealized profit	2,539	6,473
Consolidated profit before taxation	<u>65,327</u>	<u>646,927</u>
40.3.3 Assets		
Total assets of reportable segments	7,132,445	7,228,169
Elimination of intra group balances	(390,211)	(397,184)
Reclassification for consolidation purposes	(1,603)	(1,603)
Consolidated assets	<u>6,740,631</u>	<u>6,829,382</u>
40.3.4 Liabilities		
Total liabilities of reportable segments	2,336,940	2,473,495
Elimination of intra group balances	(75,377)	(79,811)
Consolidated liabilities	<u>2,261,563</u>	<u>2,393,684</u>

Revenue		Total Assets		Net Assets	
2020	2019	2020	2019	2020	2019
----- Rupees in thousands -----					

40.4 Geographical segment analysis

Local	2,214,215	3,349,640	6,740,631	6,829,382	4,479,068	4,435,698
Export	220,822	784,738	-	-	-	-
	<u>2,435,037</u>	<u>4,134,378</u>	<u>6,740,631</u>	<u>6,829,382</u>	<u>4,479,068</u>	<u>4,435,698</u>

40.5 Information about major customers

Major customers for cement segment are various individual dealers, builders & developers whereas major customer for power segment is Hyderabad Electric Supply Company Limited.

41 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. Taken as a whole the Group's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. Financial instruments of the Group are as under:

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		----- Rupees in thousands -----	
Financial assets			
At amortized cost			
Long term deposits	8	1,096	1,096
Trade debts	11	937,558	881,813
Short term investments	12	306,000	306,000
Trade deposits	14	1,734	1,534
Other receivables and accrued interest	15	24,683	23,910
Cash and bank balances	17	60,599	119,234
		<u>1,331,670</u>	<u>1,333,587</u>
Financial liabilities			
Long term financing (including current maturity)	19	1,133,070	1,317,586
Unclaimed dividend		2,039	2,540
Long term deposits	20	2,791	4,297
Trade and other payables	23	353,372	288,311
Accrued mark-up	24	43,578	44,513
Short term borrowings	25	306,544	285,080
		<u>1,841,394</u>	<u>1,942,327</u>

41.1 Financial instruments and related disclosures

Financial risk management objectives

The Group has exposure to the following risks from financial instrument:

- credit risk
- liquidity risk
- market risk
- operational risk

The Board of Directors (the Board) of the Group has the overall responsibility for establishment and oversight of the Group's risk management framework. To assist the Board in discharging its oversight responsibility, the Group's management has been made responsible for identifying, monitoring and managing the Group's financial risk exposure. The Group's overall risk management program focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

a) Credit risk

Credit risk is a risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with same party, or when counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by change in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

At the reporting date, the Group's total credit risk was concentrated in the following industrial/economic sectors:

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	2020		2019	
	Rupees in thousands	%	Rupees in thousands	%
Accrued interest	6,980	1%	7,298	1%
Short term investment	306,000	23%	306,000	23%
Cash at bank	57,378	4%	116,098	9%
Others	958,091	72%	901,055	67%
	<u>1,328,449</u>	<u>100%</u>	<u>1,330,451</u>	<u>100%</u>

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Group has developed a policy of obtaining advance payment from its customers against sale of cement. Except for customers relating to the Government and certain credit worthy customers, the management strictly adheres to this policy. For any balance receivable from such Government and credit worthy customers, the management continuously monitors the credit exposure towards them and make provisions for loss allowance against those balances considered doubtful. Cash is held only with banks with high quality credit worthiness. There is no significant risk exposure to deposits and other receivables.

The maximum exposure to credit risk at the reporting date is:

	Note	2020	2019
		----- Rupees in thousands -----	
Long term deposits	8	1,096	1,096
Trade debts	11	937,558	881,813
Short term investments	12	306,000	306,000
Trade deposits	14	1,734	1,534
Other receivables and accrued interest	15	24,683	23,910
Bank balances	17	57,378	116,098
		<u>1,328,449</u>	<u>1,330,451</u>

41.1.1 Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates. As at June 30, 2020 trade debts of Rs. 605.99 million (2019: Rs. 327.635 million) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default except for HESCO. As at June 30, 2019, trade debts includes Rs. 801.227 million receivable from HESCO. The risk attributable to trade debt receivable from HESCO is secured to the extent of Rs. 286.71 million through Standby Letter of Credit obtained from HESCO under the Power Purchase Agreement (PPA). The aging analysis of these trade debts is as follows:

	Note	2020	2019
		----- Rupees in thousands -----	
- within 30 days		105,029	169,419
- 31 to 90 days		226,539	384,759
- 91 to 180 days		228,417	22,897
- over 180 days		377,573	304,738
	11	<u>937,558</u>	<u>881,813</u>

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The credit quality of cash at bank (in Current, Profit & loss saving and deposit accounts) as per credit rating agencies are as follows:

	Note	2020	2019
Rating - Bank balances			
----- Rupees in thousands -----			
A1 +		36,973	88,544
A1		546	29
A-		31	31
Others		19,827	27,494
	17	57,377	116,098
Rating - Accrued interest			
A1 +	15	6,980	7,298
Rating - Short term investments			
Term deposit (A1+)		306,000	306,000

Due to Group's long standing relationship with these counterparties and after giving due consideration to their strong financial standing except where there is contractual obligation to maintain certain balance, management does not expect non-performance by these counterparties on their obligation to the Group. For trade debts, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilization of said limits is regularly monitored.

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note 11. The aging analysis of these impaired trade debts is as follows:

	2020	2019
----- Rupees in thousands -----		
Below ten years	3,079	2,182
Over ten years	72,028	72,028
	75,107	74,210

b) Liquidity risk and management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Group is exposed to liquidity risk in respect of non-current interest bearing liabilities, long term deposit, short term borrowings, trade and other payable and mark-up accrued.

The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Management closely monitors the Group's liquidity and cash flow position. This includes maintenance of liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers except for supply of electricity to HESCO, Public Utility Company, in accordance with Power Purchase Agreement.

41.1.2 Maturity analysis for financial liabilities

The table below analyses Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2020				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five year
Non-derivative Liabilities	----- Rupees in thousands -----				
Long term financing (including current maturity)	1,133,070	(1,500,744)	(81,796)	(118,061)	(1,300,887)
Long term deposits	2,791	(2,791)	-	-	(2,791)
Trade and other payables	353,372	(353,372)	(353,372)	-	-
Short term borrowings	306,544	(306,544)	(153,272)	(153,272)	-
Accrued mark-up	43,578	(43,578)	(43,578)	-	-
	<u>1,839,355</u>	<u>(2,207,029)</u>	<u>(632,018)</u>	<u>(271,333)</u>	<u>(1,303,678)</u>
	2019				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	
Non-derivative Liabilities	----- Rupees in thousands -----				
Long term financing (including current maturity)	1,317,586	(1,930,921)	(243,558)	(209,695)	(1,477,668)
Long term deposits	4,297	(4,297)	-	-	(4,297)
Trade and other payables	288,311	(288,311)	(288,311)	-	-
Short term borrowings	285,080	(285,080)	(142,540)	(142,540)	-
Accrued mark-up	44,513	(44,513)	(44,513)	-	-
	<u>1,939,787</u>	<u>(2,553,122)</u>	<u>(718,922)</u>	<u>(352,235)</u>	<u>(1,481,965)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at reporting date.

c) Market risk

Market risk is the risk that changes in market interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

d) Interest / mark-up rate risk management

Interest / mark-up rate risk management arises from the possibility of changes in interest/mark-up rates which may affect the value of financial instruments. The Group has long term financing and short term borrowings at variable rates. The Group is exposed to interest / mark-up rates risk on long term financing, where interest rate risk is covered by holding "Prepayment option" which can be exercised upon any adverse movement in the underlying interest rates. At the reporting date the interest rate profile of the Group's interest bearing financial instruments is as follows:

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Carrying amount	
	2020	2019
	----- Rupees in thousands -----	
Fixed rate instruments		
Financial assets	306,000	306,000
Variable rate instruments		
Financial assets	36,180	77,560
Financial liabilities	1,439,614	1,602,666

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, change in interest rates at the reporting date would not affect the consolidated statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

Financial assets

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, consolidated profit before tax for the year would have been Rs. 0.36 million (2019: Rs. 0.78 million) higher / lower, mainly as a result of higher / lower interest income from these consolidated financial assets.

Financial liabilities

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, consolidated profit before tax for the year would have been Rs. 14.396 million (2019: Rs. 16.027 million) higher / lower, mainly as a result of higher / lower interest expense of these consolidated financial liabilities.

A summary of the Group's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity dates at the end of year is as follows:

		2020			
		Mark-up / return (%)	Less than 6 months	6 months to 1 year	More than 1 year
		Total			
		----- Rupees in thousands -----			
Assets	Note				
Short term investment	12	8.50%	-	306,000	-
Bank balance in PLS accounts	17	6.5% to 11.25%	-	-	36,180
Total assets			-	306,000	36,180
Liabilities					
Short term running finance	25	12.97% to 15.60%	(153,272)	(153,272)	-
Long term financing	19		(81,796)	(118,061)	(1,300,887)
Total liabilities			(235,068)	(271,333)	(1,300,887)
On-balance sheet gap			(235,068)	34,667	(1,264,707)
Total interest risk sensitivity gap			(235,068)	(200,401)	(1,465,108)

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

		2019				
		Mark-up / return (%)	Less than 6 months	6 months to 1 year	More than 1 year	Total
		Rupees in thousands				
Assets	Note					
Short term investment	12	8.50%	-	306,000	-	306,000
Bank balance in PLS accounts	17	3% to 8%	-	-	77,560	77,560
Total assets			-	306,000	77,560	383,560
Liabilities						
Short term running finance	25	8.92% to 13.99%	(142,540)	(142,540)	-	(285,080)
Long term financing	19	8.89% to 14.92%	(243,558)	(209,695)	(1,477,668)	(1,930,921)
Total liabilities			(386,098)	(352,235)	(1,477,668)	(2,216,001)
On-balance sheet gap			(386,098)	(46,235)	(1,400,108)	(1,832,441)
Total interest risk sensitivity gap			(386,098)	(432,333)	(1,832,441)	(1,832,441)

e) Foreign exchange risk management

Foreign exchange risk is the risk that the value of financial asset or liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities including amount payable, outstanding letter of credits and bills payable. The Group's exposure to foreign currency risk is as follows:

	2020		2019	
	PKR	USD	PKR	USD
	in thousands			
Trade and other payables	123,881	737	6,728	41
	123,881	737	6,728	41

Currently, the Group does not obtain forward cover against the gross exposure. The following significant rates applied during the year:

	2020	2019	2020	2019
	Average Rate		Rate as on June 30	
USD to PKR	158.64	136.39	168.10	163.24

Sensitivity analysis

A five percent strengthening / weakening of Pak Rupee against US Dollar on June 30th would have increased / decreased the consolidated equity and consolidated statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis that were used for the year 2019.

	2020	2019
	Rupees in thousands	
Effects of US Dollars gain / loss	6,194	336

f) Fair value of financial instruments

Fair value of the financial instrument is the amount for which an asset could be sold or exchanged, or a liability can be settled, between knowledgeable willing parties at arm's length transaction.

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The methods used for determining fair value of each class of financial assets and liabilities are disclosed in respective policy notes.

g) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2020, there were no financial instruments which were measured at fair values in the consolidated financial statements.

h) Capital risk management

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns and benefits for shareholders and to maintain a strong base to support the sustained development of its business.

The Group manages its capital structure by monitoring return on net assets and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payable to the shareholders or issue new shares.

The Group finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

	Note	2020	2019
		----- Rupees in thousands -----	
Gearing ratio			
Long term financing (including current maturity)	19	1,133,070	1,317,586
Accrued mark-up	24	43,578	44,513
Short term borrowings	25	306,544	285,080
Total debt		1,483,192	1,647,179
Less: Cash and bank balances	17	(60,599)	(119,234)
Net debt (A)		1,422,593	1,527,945
Share capital	18	997,181	997,181
Share premium		99,718	99,718
Accumulated profit		2,512,111	2,543,016
Non-controlling interests		870,058	795,783
Total equity (B)		4,479,068	4,435,698
Total equity and net debt (A+B)		5,901,661	5,963,643
Gearing ratio (A+B)/(A)		24.10%	25.62%

THATTA CEMENT COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

i) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's activities, either internally within the Group or externally at the Group's service providers and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its objectives of becoming a profitable organisation, producing high quality cement and uninterrupted power generation to generate returns for investors. Primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

42 NUMBER OF EMPLOYEES

The total number of employees as at year end were 497 (2019: 511) and average number of employees were 503 (2019: 517).

43 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in their meeting held on September 30, 2020 have proposed final cash dividend Rs. Nil per share (2019: Rs. Nil per Share) in respect of year ended June 30, 2020.

44 COMPARATIVE FIGURES

For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year's presentation.

45 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on September 30, 2020 by the Board of Directors of the Company.

46 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

FORM OF PROXY

The Secretary

Thatta Cement Company Ltd.

Office No. 606-608A, 6th Floor,

Continental Trade Centre,

Block 8, Clifton

Karachi

Please quote:

No. of shares held. _____

Folio No. _____

I/We, _____ of _____, holding Computerized National Identity Card (CNIC)/Passport No. _____ and being a member of Thatta Cement Company Limited, hereby appoint _____ of _____, holding CNIC/Passport No. _____, or failing him/her hereby appoint _____ of _____, holding CNIC/Passport No. _____, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Monday, October 26, 2020, at 03:00 p.m. and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____, 2020

Witnesses:

1. Signature _____
Name _____
Address _____
CNIC/Passport No. _____
2. Signature _____
Name _____
Address _____
CNIC/Passport No. _____

Signature

Rupee five
revenue
stamp

Important:

1. This Form of Proxy duly completed must be deposited at our Registered Office, not later than 48 hours before the time of holding the meeting.
2. A Proxy must be a shareholder of the Company.

پراکسی فارم

میں / ہم کے _____
 ٹھہ سیمنٹ کمپنی لمیٹڈ کے رکن اور عام شیئر کے حامل کی حیثیت کے _____ (شیئرز کی تعداد)
 رجسٹرڈ فلیو نمبر _____ اور / یا سی ڈی سی فلیو کا آئی ڈی نمبر _____ اور زیلی اکاؤنٹ نمبر _____ کے
 _____ یا _____ کے _____
 کو کمپنی کے سالانہ اجلاس عام جو 26 اکتوبر 2020 کو 03:00 بجے دن منعقد ہوگا، میں میرے / ہمارے لئے اور میری / ہماری طرف سے بحیثیت اپنا پراکسی،
 ووٹ دینے کے لئے نامزد کرتا ہوں / کرتے ہیں۔

دستخط _____ بروز _____ تاریخ _____ / _____ 2020

گواہان:

دستخط: _____	دستخط: _____
نام: _____	نام: _____
پتہ: _____	پتہ: _____
_____ / پاسپورٹ نمبر _____	_____ / پاسپورٹ نمبر _____

دستخط شیئر ہولڈرز

دستخط کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے

دستخط: _____

نوٹ: نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل موصول ہو جانا چاہئے، نمائندے کو کمپنی کارکن ہونا ضروری ہے۔
 سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹر انڈومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ پراکسی
 فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔



THATTA CEMENT COMPANY LIMITED

Office No. 606-608A, 6th Floor,
Continental Trade Centre, Block 8, Clifton,
Karachi, Pakistan.
www.thattacement.com