



**FIRST
QUARTER REPORT,
SEPTEMBER 30,
2020
(UN-AUDITED)**



**D.G. KHAN CEMENT
COMPANY LIMITED**

Financial Statements



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COMPANY INFORMATION

Board of Directors

| | |
|--------------------------|-----------------------------|
| Mrs. Naz Mansha | Chairperson / Non-Executive |
| Mr. Raza Mansha | Chief Executive / Executive |
| Mr. Khalid Niaz Khawaja | Independent |
| Mr. Usama Mahmud | Independent |
| Mr. Mahmood Akhtar | Non-Executive |
| Mr. Farid Noor Ali Fazal | Executive |
| Mr. Shahzad Ahmad Malik | Non-Executive |
| Female Director 01 | |
| Male Directors 06 | |

Audit Committee

| | |
|-------------------------|-----------------|
| Mr. Khalid Niaz Khawaja | Member/Chairman |
| Mr. Mahmood Akhtar | Member |
| Mr. Usama Mahmud | Member |

Human Resource & Remuneration Committee

| | |
|-------------------------|-----------------|
| Mr. Khalid Niaz Khawaja | Member/Chairman |
| Mr. Raza Mansha | Member |
| Mr. Shahzad Ahmad Malik | Member |

Management

| | |
|--------------------------|---------------------------------|
| Mr. Raza Mansha | Chief Executive Officer |
| Dr. Arif Bashir | Director Technical & Operations |
| Mr. Farid Noor Ali Fazal | Director Marketing |
| Mr. Inayat Ullah Niazi | Chief Financial Officer |

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

| | |
|------------------------------|--|
| Allied Bank Limited | MCB Islamic Bank Limited |
| Bank Alfalah Limited | Meezan Bank Limited |
| Bank Al-Habib Limited | National Bank of Pakistan |
| Bank Islami Pakistan Limited | Samba Bank Limited |
| Dubai Islamic Bank | Soneri Bank Limited |
| Faysal Bank Limited | Standard Chartered Bank Limited |
| Habib Bank Limited Limited | The Bank of Punjab |
| Habib Metropolitan Bank | United Bank Limited |
| MCB Bank Limited | The Bank of Khyber |
| JS Bank Limited | Silk Bank Limited |
| Citi Bank N.A. | Industrial and Commercial Bank of China (ICBC) |
| Askari Bank Limited | |

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Important Identification Numbers of Company

CUIN: 0006469 NTN: 1213275-6
STRN: 0402252300164 PSX Symbol: DGKC

Company Products

- I. Clinker
- II. Ordinary Portland Cement (OPC)
- III. Sulphate Resistant Cement (SRC)

HS Code

Clinker: 2523.1000 Cement: 2523.2900

Applicable Laws & Regulations

- Many laws and regulations apply to the Company including:
- The Companies Act
 - Stock Exchange Regulations
 - Code of Corporate Governance
 - International Accounting and Financial Reporting Standards
 - International Auditing Standards
 - Income Tax Law
 - Sales Tax Law
 - Excise Laws
 - Property Laws
 - Labour Laws
 - Health & Safety Laws
 - Environmental Laws
 - Banking Regulations, etc.

Company Rating

Long Term: AA - **ShortTerm:** A1+
Outlook: Stable **Rating Agency:** PACRA
Rating Date: April 03, 2020

Registered Office

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

Factories

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Email: dgsite@dgcement.com

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Phone: +92-543-650215-8 Fax: +92-543-650231

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

Share Registrar: THK Associates (Pvt) Ltd

Head Office, Karachi **Branch Office, Lahore**
1st Floor, 40-C, Block-6, Siddique Trade Centre, Office
P.E.C.H.S., Karachi. No. PL-29, PL Floor, 72
Tel: (021) 111 000 322 Main Boulevard, Gulberg II, Lahore
Fax: (021) 34168271 Phone: +92 42 3578 1682

For Investors' Information, Comments, Inquiries, Complaints

Mr. Farid Fazal (Director Marketing)
E-mail: ffazal@dgcement.com Phone: +92 42 111 11 33 33
(Marketing related queries)

Mr. Inayat Ullah Niazi (Chief Financial Officer)
E-mail: iniazi@dgcement.com Phone: +92 42 111 11 33 33

Mr. Khalid Mehmood Chohan (Company Secretary)
E-mail: kchohan@dgcement.com Phone: +92 42 111 11 33 33

Directors' Report

The directors of your company are pleased to present you the results of the first quarter of FY21:

| | Q1 FY21 | Q1 FY20 |
|--|------------------|--------------------|
| | Rupees in '000' | |
| Sales | 10,514,435 | 9,069,445 |
| Cost of sales | (9,506,751) | (9,607,461) |
| Gross (loss) / profit | 1,007,684 | (538,016) |
| Administrative expenses | (153,659) | (150,574) |
| Selling and distribution expenses | (608,891) | (485,417) |
| Other expenses | (1,501) | (2,010) |
| Other income | 70,303 | 553,097 |
| Finance cost | (771,416) | (1,256,104) |
| (Loss) / Profit before taxation | (457,480) | (1,879,024) |
| Taxation | 106,588 | 450,965 |
| (Loss) / Profit after taxation | (350,892) | (1,428,057) |

| | | |
|----------------|--------|---------|
| EPS (Rs/share) | -0.80 | -3.26 |
| GP% | 9.58% | -5.93% |
| PBT% | -4.35% | -20.72% |
| PAT% | -3.34% | -15.75% |

Production and Sales volumetric data is as under:

| | Q1 FY21 | Q1 FY20 |
|--|-----------|-----------|
| | in MT | |
| Production: | | |
| Clinker | 1,213,078 | 1,394,951 |
| Cement | 1,237,888 | 1,321,934 |
| Sales: | | |
| Total | 1,241,985 | 1,299,040 |
| Local Cement (excluding own consumption) | 1,235,518 | 1,255,651 |
| Export Cement | 6,467 | 43,389 |
| Clinker Sale | 663,907 | 441,158 |

FY21 started with signs of success against the fight with COVID-19. Government strategy of 'smart lock-down' and timely enforcement of SOPs by local administration in co-operation with the public and businesses turned out to be successful. Government started easing the lock-down measures as the infection rate dropped. Businesses started opening up with SOPs guidelines. Coupled with the Government focus on construction industry and monetary relief provided by SBP by lowering discount rate in last quarter of FY20, economic environment showed signs of recovery. ADB revised its early projected growth of 1% to 2%, closer to Government expectations. Exports and remittances picked up. Current Account Deficit remained under control. However, some of the gains acquired were reversed due to flood in Karachi and Northern part of Pakistan. CPEC related activities also gained momentum. Housing and construction sector picked up pace owing to Government amnesty schemes and special tax reliefs. Cement sector witnessed the record highest dispatches ever in the quarter ended September 2020 despite excessive monsoon rain, floods and Eid holidays. With the growing demand and increasing cement dispatches, intensity of competition in the cement industry abated, resulting in the stable cement prices and improvement of profitability.

In volume terms, total sales quantity of industry witnessed growth of 2.4 million tons (22%) QOQ to 11.1 million tons. North zone contributed growth of 1.5 million tons (18%) against increase of 0.9 million tons (35%) in South Zone. Further analysis shows that the growth was mainly driven by local cement sales quantity of 1.7 million tons (19%). Exports also witnessed growth of 0.7 million tons (36%) largely related to clinker. Sales utilization of industry increased to 79% against 75% for the corresponding period last year. It was largely contributed by local sales of 63% against exports sales utilization of 16%.

Kiln operational days of your Company decreased by 16.1% from 248 days to 208 days due to schedule shutdown and repair and maintenance. Consequently, clinker production % remained low to 72.21% (Q1FY20: 83.03%). Sales utilization of your Company improved to 113% (Q1FY20: 104%) mainly due to export of clinker largely from the piling clinker stock as at June 30, 2020. Clinker was exported to contribute towards fixed costs earning valuable foreign exchange of USD 18 million from July-September 2020.

Sales, in value terms, registered growth primarily due to stable local cement prices. GP% improved despite low clinker production, largely attributable to stable input costs. However, there was some pressure on costs relating to general inflation that were curtailed through effective management and operational efficiency. Selling expenses increase were associated with the rise in clinker exports. Restriction from SBP on banks regarding dividend payment badly hurt your Company's other stream of 'dividend income'. Finance cost registered decline due to lowering of discount rate to 7.0% (Q1FY20: 13.25%).

As winter is approaching, there is a fear of second wave of COVID-19. The Government may have to force the closure of business activities again in fear of local virus transmission. Government may have to shift resources from PSDP to Corona relief activities. If the second wave is avoided, the momentum relating to construction activity picked up in the first quarter, continues to remain in the upward trajectory owing to growth in housing sector, Government's special Karachi package, speedy work on small and large dams and CPEC related projects. Chinese president is also expected to visit Pakistan this year. There is speculation of possible increase in scope of CPEC along with further investments. This may also boost the economic activity. With capacity expansion in recent years, industry is well

geared up to meet these developments. Exports and remittances are showing positive signs and may continue to do so, easing pressure on exchange rate. Government strategy regarding locust attack bears fruit so far but another wave from neighbouring countries is predicted. If successfully handled, this may contribute positively to GDP from agriculture side. Coal prices may move upward in future. Energy prices will rise. The effect of these cost pressure is expected to pass on to the consumers. WHR and CFPP at Hub are also expected to be operational in the third quarter of FY21 and first quarter of FY22 respectively. This will lead to self sufficiency at Hub site along with considerable saving in power costs. Your Company has started paying GIDC in line with orders of superior courts. However, review petition against judgement of Honourable Supreme Court has been filed.

On the negative side, inflation picked up in first quarter. Coupled with locust disaster (second wave expected from neighbouring countries) and floods, it may remain high unless counter strategy is not introduced by the Government. High inflation may put pressure on discount rates to move upward. Political tension in the country and in the region may cause some uncalled-for disruption. These factors would contribute negatively towards overall business environment.

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

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

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

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

Following are the directors of the Company:

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

Female Directors: 01
Male Directors: 06

Audit Committee

| | |
|-------------------------|----------|
| Mr. Khalid Niaz Khawaja | Chairman |
| Mr. Usama Mahmud | Member |
| Mr. Mahmood Akhtar | Member |

Human Resource & Remuneration Committee

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

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

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

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

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

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

For and on behalf of the Board



Raza Mansha
Chief Executive Officer



Farid Noor Ali Fazal
Director

Lahore
October 23, 2020

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

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

منجانب بورڈ

Said Iqbal

فرید نور علی فضل

ڈائریکٹر

M. A. Khan

مدیر منشا

چیف ایگزیکٹو آفیسر

لاہور

123 اکتوبر 2020ء

مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:

| | |
|-----------------------|--------------------------|
| حضرتہ نازمشا | (چیئر پرسن) نان ایگزیکٹو |
| جناب رضاشا | ایگزیکٹو |
| جناب خالد نیاز خوبہ | آزاد |
| جناب آسامہ محمود | نان ایگزیکٹو |
| جناب محمود اختر | نان ایگزیکٹو |
| جناب فرید نور علی فضل | ایگزیکٹو |
| جناب شہزاد احمد ملک | نان ایگزیکٹو |
| خاتون ڈائریکٹرز: | 01 |
| مرد ڈائریکٹرز: | 06 |

آڈٹ کمیٹی

| | |
|---------------------|----------|
| جناب خالد نیاز خوبہ | چیئر مین |
| جناب آسامہ محمود | رکن |
| جناب محمود اختر | رکن |

ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی

| | |
|---------------------|----------|
| جناب خالد نیاز خوبہ | چیئر مین |
| جناب رضاشا | رکن |
| جناب شہزاد احمد ملک | رکن |

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

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

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

سہ ماہی میں تعمیراتی سرگرمیوں سے متعلق رفتار، اؤسگ شعبے میں ترقی، حکومت کے خصوصی کراچی ہیکینج، چھوٹے اور بڑے ڈیموں اور سی پیک سے متعلق منصوبوں پر تیز رفتار کام کی وجہ سے ترقی کارخانہ برقرار رہے گا۔ توقع ہے کہ چینی صدر بھی رواں سال پاکستان کا دورہ کریں گے۔ مزید سرمایہ کاری کے ساتھ ساتھ سی پیک کے دائرہ کار میں ممکنہ اضافے کی قیاس آرائیاں کی جارہی ہیں۔ اس سے معاشی سرگرمی کو بھی فروغ مل سکتا ہے۔ حالیہ برسوں میں صلاحیت میں توسیع کے ساتھ، صنعت ان پیش رفتوں کی ضروریات کو پورا کرنے کے لئے تیار ہے۔ برآمدات اور ترسیلات زر مثبت علامات ظاہر کر رہی ہیں اور شرح تبادلہ پر دباؤ کو کم کر رہی ہیں۔ ٹی ڈی کے حملے سے متعلق حکومتی حکمت عملی اب تک نتیجہ خیز رہی ہے لیکن پڑوسی ممالک سے دوسری لہر کی پیش گوئی کی گئی ہے۔ اگر کامیابی کے ساتھ سنبھالا گیا تو، جی ڈی پی میں زراعت مثبت طور پر حصہ شامل کر سکتی ہے۔ مستقبل میں کونکے کی قیمتیں بڑھ سکتی ہیں۔ توانائی کی قیمتیں بڑھ جائیں گی۔ توقع کی جارہی ہے کہ لاگت کے دباؤ کا اثر صارفین پر منتقل ہو جائے گا۔ امید ہے کہ جب میں WHR اور CFPP بھی بالترتیب مالی سال 21 کی تیسری سہ ماہی اور مالی سال 22 کی پہلی سہ ماہی میں آپریشنل ہو جائیں گے۔ اس سے بجلی کے اخراجات میں خاطر خواہ بچت کے ساتھ جب سائٹ خود کفیل ہو جائے گی۔ کمپنی نے اعلیٰ عدالتوں کے احکامات کے مطابق GIDC کی ادائیگی شروع کر دی ہے۔ تاہم، معزز سپریم کورٹ کے فیصلے کے خلاف نظر ثانی کی درخواست دائر کی گئی ہے۔

منفی پہلو پر، پہلی سہ ماہی میں افراط زر میں اضافہ ہوا۔ ٹی ڈی کی تباہی (پڑوسی ممالک سے متوقع دوسری لہر) اور سیلاب سے دوچار، اس وقت تک زیادہ رہ سکتی ہے جب تک حکومت کی طرف سے انسدادی حکمت عملی پیش نہیں کی جاتی ہے۔ زیادہ افراط زر کی وجہ سے ڈسکاؤنٹ شرح میں بھی اضافہ ہو سکتا ہے۔ ملک اور خطے میں سیاسی کشیدگی کچھ رکاوٹوں کا سبب بن سکتی ہے۔ یہ عوامل مجموعی طور پر کاروباری ماحول میں منفی کردار ادا کریں گے۔

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

- مارکیٹ قیمت اور سخت مقابلہ
- مستعمل پیداواری صلاحیت
- سوئی شرح
- غیر ملکی کرنسی کا اتار چڑھاؤ
- برآمد مارکیٹ کا سکڑاؤ

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

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

کوویڈ 19 کے ساتھ جہاد کے بعد مالی سال 21 کا آغاز کامیابی کے اشاروں سے ہوا۔ عوام اور کاروباری اداروں کے تعاون سے مقامی انتظامیہ کے ذریعہ سمارٹ لاک ڈاؤن کا بروقت نفاذ اور حکومتی حکمت عملی کامیاب رہی۔ انٹیکشن کی شرح کم ہونے کے ساتھ ہی حکومت نے لاک ڈاؤن کے اقدامات میں نرمی لانا شروع کر دی۔ ایس او بیز کے ساتھ کاروباروں کو دوبارہ شروع کروایا گیا۔ مالی سال 20 کی آخری سہ ماہی میں تعمیراتی صنعت پر حکومتی توجہ کے ساتھ اور ڈسکاؤنٹ شرح کم کرتے ہوئے اسٹیٹ بینک کی طرف سے فراہم کردہ مالیاتی امداد سے، معاشی ماحول میں بحالی کے آثار ظاہر ہوئے۔ ADB نے اپنی ابتدائی متوقع نمو کو 1 فیصد سے 2 فیصد تک بڑھا دیا، جو حکومت کی توقعات کے قریب تر ہے۔ برآمدات اور ترسیلات زر میں اضافہ ہو گیا۔ کرنٹ اکاؤنٹ خسارہ قابو میں رہا۔ تاہم، کراچی اور پاکستان کے شمالی حصے میں سیلاب کی وجہ سے حاصل کردہ کچھ فوائد کم ہو گئے۔ سی پیک سے متعلق سرگرمیوں میں بھی اضافہ ہوا۔ سرکاری ایمنسٹی اسکیموں اور ٹیکس میں خصوصی چھوٹ کی وجہ سے ہاؤسنگ اور تعمیراتی شعبے میں تیزی آئی۔ زیادہ مومن سون بارشوں، سیلاب اور عید کی تعطیلات کے باوجود ستمبر 2020 کو ختم ہونے والی سہ ماہی میں سینٹ کے شعبے میں اب تک کی ریکارڈ سب سے زیادہ ترسیلات ہوئی ہے۔ طلب اور سینٹ کی زیادہ تر سیل کی وجہ سے، سینٹ کی صنعت میں مسابقت کی شدت کم ہوئی، جس کے نتیجے میں سینٹ کی قیمتیں مستحکم اور منافع میں بہتری واقع ہوئی۔

جہم کے لحاظ سے، صنعت کی کل فروخت مقدار میں 2.4 ملین ٹن (22 فیصد) سے 11.1 ملین ٹن تک سرمایہ بنیاد پر اضافہ ہوا ہے۔ جنوبی زون میں 0.9 ملین ٹن (35 فیصد) کے اضافے کے مقابلہ میں شمالی زون نے 1.5 ملین ٹن (18 فیصد) نمو میں حصہ شامل کیا۔ مزید تجزیہ سے ظاہر ہوتا ہے کہ یہ نمو بنیادی طور پر مقامی سینٹ کی فروخت مقدار 1.7 ملین ٹن (19 فیصد) سے حاصل ہوئی ہے۔ برآمدات میں بھی 0.7 ملین ٹن (36 فیصد) کی نمو دیکھنے میں آئی جو زیادہ تر کلنگر سے متعلق ہے۔ گزشتہ سال کی اسی مدت کے دوران صنعت کی مستعمل فروخت میں 75 فیصد کے مقابلے 79 فیصد تک اضافہ ہوا۔ اس میں 16 فیصد کی مستعمل فروخت برآمدات کے مقابلے میں مقامی فروخت نے 63 فیصد کا حصہ شامل کیا۔

شیدول کی بندش، مرمت اور بحالی کی وجہ سے آپ کی کمپنی کے کلن آپریشنل دنوں میں 248 دن سے کم ہو کر 208 دن جو کہ 16.1 فیصد کم واقع ہوئے ہیں۔ اس کے نتیجے میں کلنگر کی پیداوار اور سلاٹ 72.21 فیصد (83.03:Q1FY20) کم رہی۔ کمپنی کی مستعمل فروخت 113 فیصد (104:Q1FY20) بہتر ہوئی جس کی بنیادی وجہ 30 جون، 2020 کے مطابق پائنگ کلنگر اسٹاک سے زیادہ تر کلنگر برآمد ہونا ہے۔ جولائی تا ستمبر 2020 کے دوران 18 ملین امریکی ڈالر کا قیمتی زرمبادلہ حاصل کرنے والے مقررہ اخراجات میں حصہ شامل کرنے کے لئے برآمد کیا گیا۔

فروخت کی قیمت کے لحاظ سے، بنیادی طور پر سینٹ کی مقامی مستحکم قیمتوں کی وجہ سے نمودرج کی گئی۔ کلنگر کی کم پیداوار کے باوجود جی پی فیصد میں بہتری ہوئی ہے، جو زیادہ تر ان پٹ کی مستحکم لاگت سے منسوب ہے۔ تاہم، عام افراط زر سے متعلق اخراجات پر کچھ باؤ تھا جس کو مؤثر انتظام اور آپریشنل استعداد کار کے ذریعے کم کیا گیا۔ فروخت کے اخراجات میں اضافہ کلنگر کی برآمدات میں اضافے سے وابستہ تھا۔ ڈیویڈنڈ ادائیگی کے سلسلے میں بینکوں پر اسٹیٹ بینک کی طرف سے پابندی سے آپ کی کمپنی کو ڈیویڈنڈ انکم کے دیگر بہاؤ سے بری طرح نقصان پہنچا ہے۔ ڈسکاؤنٹ شرح 7.0 فیصد (13.25:Q1FY20) تک کم ہونے کی وجہ سے فنانس لاگت میں کمی ہوئی۔

جیسے جیسے سردی قریب آرہی ہے، COVID-19 کی دوسری لہر کا خدشہ بڑھ رہا ہے۔ مقامی وائرس کی منتقلی کے خوف سے حکومت کو مجبوراً دوبارہ کاروباری سرگرمیاں بند کرنا پڑ سکتی ہیں۔ حکومت کو اپنے ریورسزنی ایس ڈی پی سے کوئی امدادی سرگرمیوں میں منتقل کرنا پڑ سکتا ہے۔ اگر دوسری لہر سے بچ جاتے ہیں تو، پہلی

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 21 کی پہلی سہ ماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

| پہلی سہ ماہی مالی سال 2020 | پہلی سہ ماہی مالی سال 2021 | |
|----------------------------|----------------------------|----------------------------|
| روپے ہزاروں میں | | |
| 9,069,445 | 10,514,435 | فروخت |
| (9,607,461) | (9,506,751) | قیمت فروخت |
| (538,016) | 1,007,684 | مجموعی منافع / (نقصان) |
| (150,574) | (153,659) | انتظامی اخراجات |
| (485,417) | (608,891) | فروخت اور تقسیم کے اخراجات |
| (2,010) | (1,501) | دیگر معاملاتی اخراجات |
| 553,097 | 70,303 | دیگر آمدنی |
| (1,256,104) | (771,416) | مالی لاگت |
| (1,879,024) | (457,480) | ٹیکسیشن سے پہلے نقصان |
| 450,965 | 106,588 | ٹیکسیشن |
| (1,428,057) | (350,892) | موجودہ مدت کے لئے نقصان |

| | | |
|---------|--------|--------------------|
| -3.26 | -0.80 | EPS (روپے فی شیئر) |
| -5.93% | 9.58% | GP % |
| -20.72% | -4.35% | PBT % |
| -15.75% | -3.34% | PAT % |

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

| پہلی سہ ماہی مالی سال 2020 | پہلی سہ ماہی مالی سال 2021 | |
|----------------------------|----------------------------|---|
| اعداد و شمار میٹرک ٹن میں | | پیداوار |
| 1,394,951 | 1,213,078 | کلنکر کی پیداوار |
| 1,321,934 | 1,237,888 | سیمنٹ کی پیداوار |
| | | فروخت |
| 1,299,040 | 1,241,985 | سیمنٹ کی کل فروخت |
| 1,255,651 | 1,235,518 | سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال) |
| 43,389 | 6,467 | سیمنٹ کی برآمد فروخت |
| 441,158 | 663,907 | کلنکر کی فروخت |

Unconsolidated Condensed Interim Statement of Financial Position

| | Note | September 2020 unaudited (Rupees in thousand) | June 2020 audited |
|--|------|---|----------------------|
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| - 950,000,000 (2020: 950,000,000) ordinary shares of Rs 10 each | | 9,500,000 | 9,500,000 |
| - 50,000,000 (2020: 50,000,000) preference shares of Rs 10 each | | 500,000 | 500,000 |
| | | 10,000,000 | 10,000,000 |
| Issued, subscribed and paid up share capital 438,119,118 (2020: 438,119,118) ordinary shares of Rs 10 each | | 4,381,191 | 4,381,191 |
| Other reserves | | 29,401,260 | 27,226,658 |
| Revenue reserve: Un-appropriated profits | | 34,685,416 | 35,036,308 |
| | | 68,467,867 | 66,644,157 |
| NON-CURRENT LIABILITIES | | | |
| Long term finances - secured | 5 | 22,736,378 | 21,972,000 |
| Long term deposits | | 249,862 | 253,937 |
| Deferred income - Government grant | 6 | 36,747 | - |
| Deferred liabilities | | 516,540 | 521,834 |
| Deferred taxation | | 2,428,760 | 2,535,349 |
| | | 25,968,287 | 25,283,120 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 10,758,129 | 11,298,187 |
| Accrued markup | | 593,387 | 712,275 |
| Short term borrowings - secured | | 19,448,535 | 23,495,967 |
| Current portion of non-current liabilities | 5 | 3,259,556 | 2,048,901 |
| Unclaimed dividend | | 33,685 | 33,837 |
| Provision for taxation | | 35,090 | 35,090 |
| | | 34,128,382 | 37,624,257 |
| Contingencies and Commitments | 7 | - | - |
| | | 128,564,536 | 129,551,534 |

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



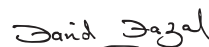
Chief Executive

As At September 30, 2020

| | Note | September 2020 unaudited (Rupees in thousand) | June 2020 audited |
|---|------|---|----------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 83,991,657 | 83,548,622 |
| Investments | 9 | 13,173,070 | 11,849,828 |
| Long term loans to employees | | 76 | 76 |
| Long term deposits | | 59,349 | 57,908 |
| | | 97,224,152 | 95,456,434 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | | 7,242,602 | 8,237,990 |
| Stock-in-trade | | 2,007,805 | 4,352,995 |
| Trade debts | | 2,027,080 | 2,286,084 |
| Investments | 9 | 14,078,485 | 13,126,388 |
| Loans, advances, deposits, prepayments and other receivables | | 316,294 | 613,166 |
| Loan to related party | 10 | 765,000 | 765,000 |
| Income tax receivable | | 4,520,280 | 4,365,643 |
| Cash and bank balances | | 382,838 | 347,834 |
| | | 31,340,384 | 34,095,100 |
| | | 128,564,536 | 129,551,534 |



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Profit or Loss

For the Quarter ended September 30, 2020 (Un-audited)

| | Note | July to September | |
|--|------|-------------------|--------------------|
| | | 2020 | 2019 |
| (Rupees in thousand) | | | |
| Sales | | 10,514,435 | 9,069,445 |
| Cost of sales | | (9,506,751) | (9,607,461) |
| Gross profit / (loss) | | 1,007,684 | (538,016) |
| Administrative expenses | | (153,659) | (150,574) |
| Selling and distribution expenses | | (608,891) | (485,417) |
| Other expenses | | (1,501) | (2,010) |
| Other income | | 70,303 | 553,097 |
| Finance cost | | (771,416) | (1,256,104) |
| Loss before taxation | | (457,480) | (1,879,023) |
| Taxation | | 106,588 | 450,965 |
| Loss for the period | | (350,892) | (1,428,057) |
| Loss per share | | | |
| (basic and diluted - in Rupees) | | (0.80) | (3.26) |

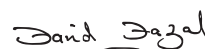
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter ended September 30, 2020 (Un-audited)

| | July to September | |
|--|-----------------------------|--------------------|
| | 2020 | 2019 |
| | (Rupees in thousand) | |
| Loss for the period | (350,892) | (1,428,057) |
| Other comprehensive income/(loss) for the period - net of tax | | |
| Items that may be reclassified subsequently to profit or loss: | - | - |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Change in fair value of investment at fair value through other comprehensive income (FVOCI) | 2,174,602 | (1,000,692) |
| Other comprehensive income/(loss) for the period | 2,174,602 | (1,000,692) |
| Total comprehensive income/(loss) for the period | 1,823,710 | (2,428,749) |

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



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Changes In Equity

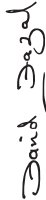
For the Quarter ended September 30, 2020 (Un-audited)

| | (Rupees in thousands) | | | | | | |
|---|-----------------------|------------------|-------------------|---------------------------------|------------------|-------------------------|-------------------|
| | Capital reserve | | | Revenue reserve | | | |
| | Share capital | Share premium | FVOCI reserve | Capital redemption reserve fund | General reserve | Un-appropriated profits | Total |
| Balance as at June 30, 2019 - Audited | 4,381,191 | 4,557,163 | 18,940,452 | 353,510 | 5,071,827 | 37,624,272 | 70,928,415 |
| Total comprehensive loss for the period | - | - | - | - | - | (1,428,057) | (1,428,057) |
| - Loss for the period | - | - | - | - | - | - | - |
| - Other comprehensive loss for the period | - | - | (1,000,692) | - | - | - | (1,000,692) |
| - Changes in fair value of investments at fair value through OCI - net of tax | - | - | (1,000,692) | - | - | (1,428,057) | (2,428,749) |
| Balance as at September 30, 2019 - Unaudited | 4,381,191 | 4,557,163 | 17,939,760 | 353,510 | 5,071,827 | 36,196,215 | 68,499,666 |
| Balance as at June 30, 2020 - Audited | 4,381,191 | 4,557,163 | 17,244,158 | 353,510 | 5,071,827 | 35,036,308 | 66,644,157 |
| Total comprehensive loss for the period | - | - | - | - | - | (350,892) | (350,892) |
| - Loss for the period | - | - | - | - | - | - | - |
| - Other comprehensive income for the period | - | - | - | - | - | - | - |
| - Changes in fair value of investments at fair value through OCI - net of tax | - | - | 2,174,602 | - | - | - | 2,174,602 |
| Balance as at September 30, 2020 - Unaudited | 4,381,191 | 4,557,163 | 19,418,760 | 353,510 | 5,071,827 | 34,685,416 | 68,467,867 |

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


Chief Executive


Chief Financial Officer


Director

Unconsolidated Condensed Interim Cash Flow Statement

For the Quarter ended September 30, 2020 (Un-audited)

| | Note | July to September | |
|---|------|---------------------|---------------------|
| | | 2020 | 2019 |
| (Rupees in thousand) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 12 | 4,596,496 | 6,646,436 |
| Finance cost paid | | (890,304) | (1,095,509) |
| Retirement and other benefits paid | | (70,172) | (69,551) |
| Income tax paid | | (154,638) | (226,723) |
| Long term deposits - net | | (4,076) | 2,125 |
| Net cash inflow from operating activities | | 3,477,306 | 5,256,778 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,320,653) | (1,003,018) |
| Proceeds from disposal of property, plant and equipment | | 1,542 | 8,000 |
| Investments in equity instruments | | (100,737) | - |
| Long term loans, advances and deposits - net | | (1,441) | 800 |
| Recovery of loan to related party | | - | 160,000 |
| Interest received | | 16,729 | 22,746 |
| Dividend received | | - | 409,109 |
| Net cash outflow from investing activities | | (1,404,560) | (402,363) |
| Cash flows from financing activities | | | |
| Repayment of long term finances | | - | (391,666) |
| Proceeds from long term finances | | 2,009,842 | - |
| Dividend paid | | (152) | (570) |
| Net cash (outflow)/inflow from financing activities | | 2,009,690 | (392,236) |
| Net increase in cash and cash equivalents | | 4,082,436 | 4,462,179 |
| Cash and cash equivalents at the beginning of the period | | (23,148,133) | (19,769,652) |
| Cash and cash equivalents at the end of the period | 13 | (19,065,697) | (15,307,473) |

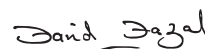
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information - Unaudited

For the Quarter ended September 30, 2020

1. Status and nature of business

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

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

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

These unconsolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2020. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Company's financial position and performance since the last annual financial statements.

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

3. Significant accounting policies

- 3.1** The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the

preparation of preceding annual published financial statements of the Company for the year ended June 30, 2020 except for new policy adopted as set out in note 3.2 and the adoption of new and amended standards as set out in note 3.3 and 3.4.

3.2 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

3.3 Standards, amendments to published standards and interpretations that are effective in the current period

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting periods beginning on July 1, 2020, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

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

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

4. Accounting estimates

The preparation of these unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Company for the year ended June 30, 2020, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 4.1

4.1 Taxation

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

| | | September 30, | June 30, |
|--|--|-----------------------------|-----------------|
| | | 2020 | 2020 |
| | | Un-audited | audited |
| | | (Rupees in thousand) | |

5. Long term financing - secured

| | | | |
|---|------------|--------------------------|--------------------------|
| Long term loans | - note 5.1 | 25,992,463 | 23,982,621 |
| Current portion shown under current liabilities | - note 5.2 | (3,164,294) | (2,010,621) |
| | | <u>22,828,169</u> | <u>21,972,000</u> |
| Deferred income- government grant | - note 6 | (91,791) | - |
| | | <u>22,736,378</u> | <u>21,972,000</u> |

5.1 The reconciliation of the carrying amount of long term loans is as follows:

| | | | |
|--------------------------------------|--|--------------------------|--------------------------|
| Opening balance | | 23,982,621 | 21,025,324 |
| Disbursements during the period/year | | 2,009,842 | 5,935,055 |
| Repayments during the period/year | | - | (2,977,758) |
| | | <u>25,992,463</u> | <u>23,982,621</u> |

5.2 Current portion of non-current liabilities

| | | | |
|------------------------------------|----------|-------------------------|-------------------------|
| Long term finances | | 3,164,294 | 2,010,621 |
| Deferred income - Government grant | - note 6 | 55,044 | - |
| Accumulating compensated absences | | 40,218 | 38,280 |
| | | <u>3,259,556</u> | <u>2,048,901</u> |

6. Deferred income - Government grant

The Company received long term loans at concessional market interest rate under IH & SMEFD Circular No. 06 and 07 of 2020 issued by State Bank Of Pakistan. The purpose of these loans was to finance the payment of wages and salaries in lieu of undertaking of not to layoff the employees for three months. The Company has deferred income associated with the Government grant to amortize over the period of loans.

| | | September 30, | June 30, |
|---|----------|-----------------------------|-----------------|
| | | 2020 | 2020 |
| | | Un-audited | audited |
| | | (Rupees in thousand) | |
| Deferred income - Government grant as at date | - note 5 | 91,791 | - |
| Less: Current portion shown under current liabilities | | (55,044) | - |
| | | <u>36,747</u> | <u>-</u> |

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2020.

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 2,205.201 million (June 30, 2020: Rs 2,614.855 million).
- (ii) Letters of credit for capital expenditure Rs 1,823.629 million (June 30, 2020: Rs 2,237.133 million).
- (iii) Letters of credit other than capital expenditure Rs 2,858.506 million (June 30, 2020: Rs 1,373.152 million).

| September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

8. Property, plant and equipment

| | | | |
|---|------------|-------------------|-------------------|
| Operating fixed assets | - note 8.1 | 76,315,778 | 76,986,536 |
| Capital work-in-progress | - note 8.2 | 7,510,569 | 6,369,586 |
| Major spare parts and stand-by equipments | | 165,310 | 192,500 |
| | | 83,991,657 | 83,548,622 |

8.1 Operating assets

| | | | |
|--|--------------|-------------------|-------------------|
| Opening book value | | 76,986,536 | 76,928,989 |
| Additions during the period/year | - note 8.1.1 | 206,860 | 3,863,587 |
| | | 77,193,396 | 80,792,576 |
| Disposals during the period/year - at book value | | (1,526) | (114,940) |
| Depreciation charged for the period/year | | (876,092) | (3,691,100) |
| | | (877,618) | (3,806,040) |
| Closing book value | | 76,315,778 | 76,986,536 |

| September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

8.1.1 Additions during the period/year

| | | |
|--------------------------------------|----------------|------------------|
| Freehold land | - | 15,570 |
| Buildings on freehold land: | | |
| - Factory buildings | - | 259,593 |
| - Office building and housing colony | 20,927 | 2,531 |
| Roads | 14,221 | 15,454 |
| Plant and machinery | 132,003 | 2,825,699 |
| Quarry equipment | 20,770 | 166,964 |
| Furniture and fittings | 4,459 | 40,407 |
| Office equipment | 14,480 | 82,708 |
| Vehicles | - | 52,414 |
| Power and water supply lines | - | 402,247 |
| | 206,860 | 3,863,587 |

8.2 Capital work-in-progress

| | | |
|---------------------------------------|------------------|------------------|
| Civil works | 1,787,077 | 1,608,930 |
| Plant and machinery | 5,373,858 | 4,403,532 |
| Advances to suppliers and contractors | 150,721 | 202,614 |
| Others | 198,913 | 154,510 |
| | 7,510,569 | 6,369,586 |

9. Investments

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

| September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

| | | |
|---|------------------|------------------|
| Carrying value of investments at the beginning of the period/year | 2,364,787 | 1,983,213 |
| Investments made during the period/year | 100,738 | 197,500 |
| Fair value gain/(loss) recognized in other comprehensive income | 22,162 | 184,074 |
| Carrying value at the end of the period/year | 2,487,687 | 2,364,787 |

10. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party, for meeting its working capital requirements. The outstanding amount is due for repayment by October 27, 2020 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2019. It

carried mark-up at the rate of 1 month KIBOR + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. Reconciliation of the carrying amount is as follows:

| | September 30, 2020 | June 30, 2020 |
|---------------------------------------|-------------------------------|--------------------------|
| | Un-audited | audited |
| | (Rupees in thousand) | |
| Opening balance | 765,000 | 1,000,000 |
| Less: Receipts during the period/year | - | (235,000) |
| Closing balance | 765,000 | 765,000 |

11. Transactions with related parties

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

| | | July to September 2020 | 2019 |
|--------------------------------------|--|-----------------------------------|-------------------|
| | | Un-audited | Un-audited |
| | | (Rupees in thousand) | |
| Relationship with the Company | Nature of transaction | | |
| i. Subsidiary entities | Purchase of goods and services | 475,991 | 700,340 |
| | Rental income | 232 | 232 |
| | Sale of goods and services | 7,368 | 8,543 |
| ii. Investor | Sale of goods and services | 7,521 | 2,876 |
| | Purchase of goods and services | 8 | - |
| iii. Other related entities | Insurance premium | 57,118 | 29,577 |
| | Sale of goods and services | 2,884 | 7,404 |
| | Dividend income | - | 409,109 |
| | Purchase of goods and services | 473 | - |
| | Sale of property plant and equipment | - | 14,384 |
| | Mark-up income on balances with related parties | 16,146 | 35,228 |
| | Purchase of shares | 100,738 | - |
| iv. Key management personnel | Salaries and other employment benefits | 53,469 | 60,614 |
| v. Post employment | Expense charged in respect of benefit plans defined benefit plan | 42,936 | 44,776 |
| | Expense charged in respect of defined contribution plan | 23,880 | 24,128 |

| September 30, 2020 | June 30, 2020 |
|-----------------------|------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

Period/year end balances

Payable to related parties

Trade and other payables

709,914

647,802

Receivable from related parties

Trade debts

55,637

20,271

Loan to related party

765,000

765,000

Mark-up receivable from related party

5,267

5,850

825,904

791,121

| July to September 2020 | 2019 |
|---------------------------|------------|
| Un-audited | Un-audited |
| (Rupees in thousand) | |

12. Cash generated from operations

Loss before tax

(457,480)

(1,879,023)

Adjustments for non-cash charges and other items:

- Depreciation on operating fixed assets

876,092

916,102

- Loss/(gain) on disposal of operating fixed assets

(16)

(3,808)

- Dividend income

-

(409,645)

- Provision for retirement benefits

66,816

67,173

- Mark-up income

(16,146)

(34,406)

- Exchange gain

(14,807)

(58,554)

- Finance cost

771,416

1,256,104

Profit before working capital changes

1,225,875

(146,057)

Effect on cash flow due to working capital changes:

- Decrease/(increase) in stores, spare parts and loose tools

995,388

2,875,958

- Decrease/(increase) in stock-in-trade

2,345,191

974,729

- Decrease/(increase) in trade debts

259,004

(659,998)

- Decrease in loans, advances, deposits,

prepayments and other receivables

296,289

669,481

- Increase/(decrease) in trade and other payables

(525,251)

2,932,323

3,370,621

6,792,493

4,596,496

6,646,436

| July to September | |
|-----------------------------|-------------------|
| 2020 | 2019 |
| Un-audited | Un-audited |
| (Rupees in thousand) | |

13. Cash and cash equivalents

| | | |
|---------------------------------|----------------------------|----------------------------|
| Short term borrowings - secured | (19,448,535) | (15,650,990) |
| Cash and bank balances | 382,838 | 343,517 |
| | <u>(19,065,697)</u> | <u>(15,307,473)</u> |

14. Financial risk management

14.1 Financial risk factors

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2020.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2020.

14.2 Fair value estimation

a) Fair value hierarchy

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed above. The following table presents the Company's financial assets measured and recognised at fair value at September 30, 2020 and June 30, 2020 on a recurring basis:

The following table presents the Company's assets and liabilities that are measured at fair values:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------------|----------------|----------------|--------------|
| | (Rupees in thousand) | | | |
| As at September 30, 2020 | | | | |
| Recurring fair value measurements | | | | |
| Assets | | | | |
| Investments - FVOCI | 22,343,945 | - | 2,487,687 | 24,831,632 |

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|----------------------|----------------|----------------|--------------|
| | (Rupees in thousand) | | | |
| As at June 30, 2020 | | | | |
| Assets | | | | |
| Investments - FVOCI | 20,191,507 | - | 2,364,787 | 22,556,294 |

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

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

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

c) Fair value measurements using significant unobservable inputs

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

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL and HNMPL.

-
- Long term growth rate is estimated based on historical performance of NHPL and HNMPL and current market information for similar type of entities.

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

- Discount rate of 8.74%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.60% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 4.50% to 10% per annum depending upon inflation and other factors.

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

- Discount rate of 14.87%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 327.593 million and 138.288 million lower for NHPL and HNMPL respectively.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 186.736 million and 84.468 million lower for NHPL and HNMPL respectively.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 86.697 million lower and 36.628 million higher for NHPL and HNMPL respectively.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 67.611 million lower and 17.94 million higher for NHPL and HNMPL respectively.

15. Date of authorization for issue

These unconsolidated condensed interim financial statements were authorized for issue on October 23, 2020 by the Board of Directors of the Company.

16. Corresponding figures

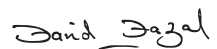
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the unconsolidated condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim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



Chief Executive



Chief Financial Officer



Director



**INTERIM CONSOLIDATED
FINANCIAL
STATEMENTS**

Consolidated Condensed Interim Statement of Financial Position

| | Note | September 2020 unaudited | June 2020 audited |
|---|------|-----------------------------|----------------------|
| (Rupees in thousand) | | | |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| - 950,000,000 (June 30, 2020 : 950,000,000) ordinary shares of Rs 10 each | | 9,500,000 | 9,500,000 |
| - 50,000,000 (June 30, 2020: 50,000,000) preference shares of Rs 10 each | | 500,000 | 500,000 |
| | | 10,000,000 | 10,000,000 |
| Issued, subscribed and paid up share capital 438,119,118 (2020 : 438,119,118) ordinary shares of Rs 10 each | | 4,381,191 | 4,381,191 |
| Reserves | | 29,352,000 | 27,171,663 |
| Un-appropriated profit | | 34,781,970 | 35,104,580 |
| Attributable to owners of the parent company | | 68,515,161 | 66,657,434 |
| Non-controlling interest | | 2,050,004 | 2,016,356 |
| | | 70,565,165 | 68,673,790 |
| NON-CURRENT LIABILITIES | | | |
| Long term finances - secured | 5 | 23,380,947 | 22,679,206 |
| Long term deposits | | 249,862 | 253,937 |
| Deferred income - Government grant | 6 | 36,747 | - |
| Deferred liabilities | | 516,540 | 521,834 |
| Deferred taxation | | 2,623,049 | 2,723,382 |
| | | 26,807,145 | 26,178,359 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 9,951,602 | 11,434,927 |
| Accrued finance cost | | 644,539 | 803,423 |
| Short term borrowing-secured | | 21,299,150 | 25,849,525 |
| Loan from related party - unsecured | | 214,000 | 214,000 |
| Current portion of non-current liabilities | | 3,400,973 | 2,087,764 |
| Unclaimed dividend | | 33,685 | 33,837 |
| Provision for taxation | | 35,090 | 35,090 |
| | | 35,579,039 | 40,458,566 |
| Contingencies and Commitments | 7 | 132,951,349 | 135,310,715 |

The annexed notes 1 to 17 form an integral part of this consolidated condensed interim financial information.



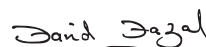
Chief Executive

As At September 30, 2020

| | Note | September 2020 unaudited | June 2020 audited |
|--|------|-----------------------------|----------------------|
| (Rupees in thousand) | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 87,561,807 | 87,174,260 |
| Biological assets | | 923,809 | 881,340 |
| Investments | 9 | 10,907,409 | 9,573,740 |
| Long term loans to employees | | 5,096 | 5,096 |
| Long term loans, advances and deposits | | 59,349 | 57,908 |
| | | 99,457,470 | 97,692,344 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 7,475,732 | 8,461,802 |
| Stock-in-trade | | 2,859,219 | 5,495,625 |
| Trade debts | | 1,769,158 | 3,042,990 |
| Investments | | 14,078,512 | 13,126,408 |
| Advances, deposits, prepayments and other receivables | | 498,040 | 893,574 |
| Loan to related party | 10 | 765,000 | 765,000 |
| Contract assets | | 166,534 | 120,019 |
| Income tax recoverable | | 5,053,330 | 5,024,962 |
| Cash and bank balances | | 828,354 | 687,991 |
| | | 33,493,879 | 37,618,371 |
| | | 132,951,349 | 135,310,715 |



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Profit or Loss

For Quarter ended September 30, 2020 (Un-audited)

| | Note | July to September | |
|--|------|-------------------|--------------------|
| | | 2020 | 2019 |
| (Rupees in thousand) | | | |
| Sales | | 11,341,852 | 9,765,763 |
| Cost of sales | | (10,215,967) | (10,255,008) |
| Gross profit /(loss) | | 1,125,885 | (489,245) |
| Administrative expenses | | (173,382) | (169,881) |
| Selling and distribution expenses | | (609,755) | (486,307) |
| Other expenses | | (81,372) | (39,159) |
| Changes in fair value of biological assets | | 105,660 | 93,318 |
| Other income | | 110,333 | 582,983 |
| Finance cost | | (830,741) | (1,378,108) |
| Loss before taxation | | (353,372) | (1,886,399) |
| Taxation | | 59,717 | 439,617 |
| Loss for the period | | (293,655) | (1,446,782) |
| Attributable to: | | | |
| Equity holders of the parent | | (322,610) | (1,438,419) |
| Non-controlling interest | | 28,955 | (8,363) |
| | | (293,655) | (1,446,782) |
| Loss per share (basic and diluted Rupees) | | (0.67) | (3.30) |

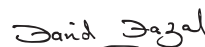
The annexed notes 1 to 17 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Comprehensive Income

For Quarter ended September 30, 2020 (Un-audited)


July to September
2020 2019
(Rupees in thousand)

| | | |
|--|------------------|--------------------|
| Loss for the period | (293,655) | (1,446,782) |
| Other comprehensive income / (loss) for the period - net of tax | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Change in fair value of investments at fair value through other comprehensive income (FVOCI) | 2,185,030 | (1,003,360) |
| Other comprehensive income / (loss) for the period | 2,185,030 | (1,003,360) |
| Total comprehensive income/(loss) for the period | 1,891,375 | (2,450,142) |
| Attributable to: | | |
| Equity holders of parent | 1,857,727 | (2,440,579) |
| Non-controlling interest | 33,648 | (9,563) |
| | 1,891,375 | (2,450,142) |

The annexed notes 1 to 17 form an integral part of this consolidated condensed interim financial information.


Chief Executive


Chief Financial Officer


Director

Consolidated Condensed Interim Statement of Changes In Equity

For Quarter ended September 30, 2020 (Un-audited)

| | (Rupees in thousands) | | | | | | | | |
|---|-----------------------|------------------|-------------------|---------------------------------|------------------|-------------------------|---|--------------------------|-------------------|
| | Capital reserve | | | Revenue reserve | | | | | |
| | Share capital | Share premium | FVOCI reserve | Capital redemption reserve fund | General reserve | Un-appropriated profits | Total equity attributable to shareholders of parent company | Non-controlling interest | Total equity |
| Balance as at June 30, 2019 - Audited | 4,381,191 | 4,557,163 | 18,852,083 | 353,510 | 5,110,851 | 37,744,493 | 70,999,291 | 2,039,554 | 73,038,845 |
| Total comprehensive income for the period | - | - | - | - | - | (1,438,419) | (1,438,419) | (8,363) | (1,446,782) |
| - Loss for the period | - | - | - | - | - | - | - | - | - |
| - Other comprehensive loss for the period | - | - | (1,002,159) | - | - | - | (1,002,160) | (1,200) | (1,003,360) |
| - Changes in fair value of investments at fair value through OCI - net of tax | - | - | (1,002,159) | - | - | - | (2,440,579) | (9,563) | (2,450,142) |
| Balance as at September 30, 2019 - Unaudited | 4,381,191 | 4,557,163 | 17,849,924 | 353,510 | 5,110,851 | 36,306,073 | 68,568,713 | 2,029,991 | 70,588,703 |
| Balance as at June 30, 2020 - Audited | 4,381,191 | 4,557,163 | 17,150,139 | 353,510 | 5,110,851 | 35,104,580 | 66,657,434 | 2,016,356 | 68,673,790 |
| Total comprehensive income for the period | - | - | - | - | - | (322,610) | (322,610) | 28,955 | (293,655) |
| - Loss for the period | - | - | - | - | - | - | - | - | - |
| - Other comprehensive income for the period | - | - | 2,180,337 | - | - | - | 2,180,337 | 4,693 | 2,185,030 |
| - Changes in fair value of investments at fair value through OCI - net of tax | - | - | 2,180,337 | - | - | - | 1,857,727 | 33,648 | 1,891,375 |
| Balance as at September 30, 2020 - Unaudited | 4,381,191 | 4,557,163 | 19,330,476 | 353,510 | 5,110,851 | 34,781,970 | 68,515,161 | 2,050,004 | 70,565,165 |

The annexed notes 1 to 17 form an integral part of this consolidated condensed interim financial information.


Chief Executive


Chief Financial Officer


Director

Consolidated Condensed Interim Cash Flow Statement

For Quarter ended September 30, 2020 (Un-audited)

| | Note | July to September | |
|--|------|---------------------|---------------------|
| | | 2020 | 2019 |
| (Rupees in thousand) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 12 | 5,144,951 | 6,401,015 |
| Finance cost paid | | (989,625) | (1,208,830) |
| Retirement and other benefits paid | | (75,352) | (73,701) |
| Income tax paid | | (68,984) | (258,900) |
| Long term deposits - net | | (4,075) | 2,125 |
| Net cash inflow from operating activities | | 4,006,915 | 4,861,709 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,324,393) | (1,007,462) |
| Proceeds from disposal of property, plant and equipment | | 2,873 | 8,768 |
| Long term loans, advances and deposits - net | | (1,441) | 800 |
| Proceeds from loan from related party | | - | 160,000 |
| Proceeds from sale of biological assets | | 41,185 | 8,759 |
| Investment in equity instruments | | (100,737) | (1,276) |
| Interest received | | 16,729 | 22,790 |
| Dividend received | | - | 412,459 |
| Net cash outflow from investing activities | | (1,365,784) | (395,162) |
| Cash flows from financing activities | | | |
| Repayment of long term finances | | - | (451,666) |
| Dividend paid | | (152) | (569) |
| Proceeds from long term finances | | 2,049,759 | - |
| Net cash inflow/(outflow) from financing activities | | 2,049,607 | (452,235) |
| Net increase in cash and cash equivalents | | 4,690,738 | 4,014,312 |
| Cash and cash equivalents at the beginning of the year | | (25,161,534) | (22,067,766) |
| Cash and cash equivalents at the end of period | 13 | (20,470,796) | (18,053,454) |

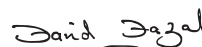
The annexed notes 1 to 17 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Notes to and Forming Part of The Consolidated Condensed Interim Financial Statements

For Quarter ended September 30, 2020

1. Legal status and nature of business

The group comprises of:

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

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

Nishat Paper Products Company Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on July 23, 2004. It is principally engaged in the manufacture and sale of paper products and packaging material.

Nishat Dairy (private) Limited was incorporated in Pakistan under the Companies Ordinance 1984 on October 28, 2011. The principally activity of the company is to carry on the business of production of raw milk.

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

Effective percentage of holding

| | |
|---|--------|
| - Nishat Paper products Company Limited | 55% |
| - Nishat Dairy (Private) Limited | 55.10% |

2. Basis of preparation

2.1 Statement of compliance

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

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

-
- Provisions of and directives issued under the Companies Act, 2017.

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

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

These consolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2020. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Group's financial position and performance since the last annual financial statements.

3. Significant accounting policies

- 3.1** The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2020 except for new policy adopted in note 3.2 and the adoption of new and amended standards as set out in note 3.3 and 3.4.

3.2 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

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

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting periods beginning on July 1, 2020, but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated condensed interim financial statements.

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

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

4. Accounting estimates

The preparation of these consolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Group for the year ended June 30, 2020, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 4.1:

4.1 Taxation

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

| | September 30, 2020 | June 30, 2020 |
|--|-------------------------------|--------------------------|
| | Un-audited | audited |
| | (Rupees in thousand) | |

5. Long term finances

| | | | |
|---|------------|-------------------|-------------------|
| Long term loans | - note 5.1 | 26,778,449 | 24,728,690 |
| Current portion shown under current liabilities | - note 5.2 | (3,305,711) | (2,049,484) |
| | | 23,472,738 | 22,679,206 |
| Deferred income- government grant | - note 6 | (91,791) | - |
| | | 23,380,947 | 22,679,206 |

| September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

5.1 The reconciliation of the carrying amount of long term loans is as follows:

| | | |
|---------------------------------|-------------------|-------------------|
| Opening balance | 24,728,690 | 21,875,324 |
| Disbursements during the period | 2,049,759 | 6,278,293 |
| | 26,778,449 | 28,153,617 |
| Repayment during the period | - | (3,424,927) |
| Closing balance | 26,778,449 | 24,728,690 |

5.2 Current portion shown under current liabilities

| | | |
|---|------------------|------------------|
| Long term finances | 3,305,711 | 2,049,484 |
| Deferred income - Government grant - note 6 | 55,044 | - |
| Accumulating compensated absences | 40,218 | 38,280 |
| | 3,400,973 | 2,087,764 |

6. Deferred income - Government grant

The Group received long term loans at concessional market interest rate under IH & SMEFD Circular No. 06 and 07 of 2020 issued by State Bank Of Pakistan. The purpose of these loans was to finance the payment of wages and salaries in lieu of undertaking of not to layoff the employees for three months. The Group has deferred income associated with the Government grant to amortize over the period of loans.

| September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

| | | |
|--|---------------|----------|
| Deferred income - Government grant as at date - note 5 | 91,791 | - |
| Less: Current portion shown under current liabilities - note 5.2 | (55,044) | - |
| | 36,747 | - |

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2020 except for the matter disclosed in annual financial statements, which is mentioned below:

A guarantee to Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs. 108.313 million (June 30, 2020: Rs 92.647 million).

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 2,205.201 million (June 30, 2020: Rs 2,614.855 million).
- (ii) Letters of credit for capital expenditure Rs 1,823.629 million (June 30, 2020: Rs 2,237.133 million).
- (iii) Letters of credit other than capital expenditure Rs 2,949.79 million (June 30, 2020: Rs 1,397.913 million).

| | September 30, 2020 | June 30, 2020 |
|--|-------------------------------|--------------------------|
| | Un-audited | audited |
| | (Rupees in thousand) | |

8. Property, plant and equipment

| | | | |
|--|-----------|-------------------|-------------------|
| Operating Assets | -note 8.1 | 79,884,529 | 80,612,174 |
| Capital work-in-progress | | 7,511,968 | 6,369,586 |
| Major spare parts and stand-by equipment | | 165,310 | 192,500 |
| | | 87,561,807 | 87,174,260 |

8.1 Operating assets

| | | | |
|--|-------------|-------------------|-------------------|
| Opening book value | | 80,612,174 | 80,783,631 |
| Add: | | | |
| Additions during the period/ year | -note 8.1.1 | 209,201 | 3,888,106 |
| | | 80,821,375 | 84,671,737 |
| Less: | | | |
| Disposals during the period/ year - net book value | | 1,865 | 116,596 |
| Depreciation charged during the period/ year | | 934,981 | 3,942,967 |
| Closing book value | | 79,884,529 | 80,612,174 |

8.1.1 Major additions during the period

| | | | |
|--|---------|----------------|------------------|
| Free hold land | - | 16,690 | |
| Factory building on freehold land | - | 103,223 | |
| Office building and housing colony | 20,927 | 2,531 | |
| Roads | 14,221 | 15,454 | |
| Plant and machinery | 132,003 | 3,024,340 | |
| Quarry equipment | 20,770 | 130,767 | |
| Furniture, fixtures and office equipment | 19,097 | 125,553 | |
| Motor vehicles | 2,183 | 67,301 | |
| Power and water supply lines | - | 402,247 | |
| | | 209,201 | 3,888,106 |

| September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |

8.2 Capital work-in-progress

| | | |
|---------------------------------------|------------------|------------------|
| Civil works | 1,788,255 | 1,608,930 |
| Plant and machinery | 5,374,079 | 4,403,532 |
| Advances to suppliers and contractors | 150,721 | 202,614 |
| Others | 198,913 | 154,510 |
| | 7,511,968 | 6,369,586 |

9. Investments

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

| September 30, 2020 | June 30, 2020 |
|---|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |
| Carrying value of investments at the beginning of the period/year | 1,983,213 |
| Investments made during the period/year | 197,500 |
| Fair value gain/(loss) recognized in other comprehensive income | 184,074 |
| Carrying value at the end of the period/year | 2,364,787 |

10. Loan to related party

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party, for meeting its working capital requirements. The outstanding amount is due for repayment by October 27, 2020 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2019. It carried mark-up at the rate of 1 month KIBOR + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. Reconciliation of the carrying amount is as follows:

| September 30, 2020 | June 30, 2020 |
|---------------------------------|--------------------------|
| Un-audited | audited |
| (Rupees in thousand) | |
| Opening balance | 1,000,000 |
| Receipts during the period/year | (235,000) |
| Closing balance | 765,000 |

11. Transactions with related parties

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

| Relationship with the Group | Nature of transaction | July to September | |
|-------------------------------|---|----------------------|------------|
| | | 2020 | 2019 |
| | | Un-audited | Un-audited |
| | | (Rupees in thousand) | |
| Other related parties | Purchase of goods and services | 14,510 | - |
| | Purchase of shares | 100,738 | - |
| | Insurance premium | 58,986 | 38,261 |
| | Sale of goods | 10,660 | 18,823 |
| | Mark-up income | 16,146 | 44,579 |
| | Sale of property plant and equipment | - | 14,384 |
| | Dividend income | - | 412,459 |
| Key Management personnel | Salaries and other employment benefits | 53,469 | 60,614 |
| Post employment benefit plans | Expense charged in respect of staff retirement benefits plans | 71,996 | 71,323 |

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

July to September
2020 **2019**
(Rupees in thousand)

12. Cash flow from operating activities

| | | |
|--|------------------|------------------|
| Loss before tax | (353,372) | (1,886,398) |
| Adjustment for : | | |
| - Depreciation on property, plant and equipment | 934,981 | 978,657 |
| - (Loss)/Profit on disposal of property, plant and equipment | (1,007) | (4,274) |
| - Loss on disposal of biological assets | 22,006 | 28,720 |
| - Gain on changes in fair value biological asset | (105,660) | (93,318) |
| - Gain on changes in fair value of investment through P&L | (7) | (1) |
| - Dividend income | - | (412,995) |
| - Retirement and other benefits accrued | 71,996 | 71,323 |
| - Markup income | (16,146) | (34,450) |
| - Exchange (gain) / loss - net | (5,226) | (58,555) |
| - Finance cost | 830,741 | 1,378,108 |
| Profit/(loss) before working capital changes | 1,378,306 | (33,184) |
| Increase/decrease in: | | |
| - Stores, spares and loose tools | 986,070 | 2,838,868 |
| - Stock-in-trade | 2,636,406 | 1,055,532 |
| - Trade debts | 1,273,832 | (450,775) |
| - Contract assets | (46,515) | 142,357 |
| - Advances, deposits, prepayments and other receivables | 394,951 | 450,941 |
| - Trade and other payables | (1,478,099) | 2,397,276 |
| Net working capital changes | 3,766,645 | 6,434,199 |
| Cash (used in)/ generated from operations | 5,144,951 | 6,401,015 |

13. Cash and cash equivalents

| | | |
|--|---------------------|---------------------|
| Short term borrowings - secured | (21,299,150) | (18,770,402) |
| Cash and bank balances | 828,354 | 716,948 |
| Total cash and cash equivalents | (20,470,796) | (18,053,454) |

14. Financial risk management

14.1 Financial risk factors

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

The consolidated condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should

be read in conjunction with the group's annual financial statements as at June 30, 2020.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2020.

14.2 Fair value estimation

a) Fair value hierarchy

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

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

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed above. The following table presents the Group's financial assets measured and recognised at fair value at September 30, 2020 and June 30, 2020 on a recurring basis:

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|---------|-----------|------------|
| | (Rupees in thousand) | | | |
| As at September 30, 2020 | | | | |
| Recurring fair value measurements | | | | |
| Assets | | | | |
| Investments - FVOCI | 22,498,207 | - | 2,487,687 | 24,985,894 |
| Investments - FVPL | 27 | - | - | 27 |
| Biological assets | - | - | 923,809 | 923,809 |
| As at June 30, 2020 | | | | |
| Assets | | | | |
| Investments - FVOCI | 20,335,341 | - | 2,364,787 | 22,700,128 |
| Investments - FVPL | 20 | - | - | 20 |
| Biological assets | - | - | 881,340 | 881,340 |

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

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

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

c) Fair value measurements using significant unobservable inputs

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

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

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

- Discount rate of 8.74%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.60% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 4.50% to 10% per annum depending upon inflation and other factors.

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

- Discount rate of 14.87%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 327.593 million and 138.288 million lower for NHPL and HNMPL respectively.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 186.736 million and 84.468 million lower for NHPL and HNMPL respectively.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 86.697 million lower and 36.628 million higher for NHPL and HNMPL respectively.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at September 30, 2020 would be Rs 67.611 million lower and 17.94 million higher for NHPL and HNMPL respectively.

15. Operating segments

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

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

Type of segments Nature of business

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

15.1 Segment analysis and reconciliation - condensed

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

July 1st to September 30 - Un-audited

| Rupees in thousands | Cement | | Paper | | Dairy/Farm | | Elimination - net | | Consolidated | |
|-----------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue from | | | | | | | | | | |
| - External Customers | 10,513,974 | 9,069,378 | 412,990 | 334,078 | 414,888 | 362,307 | - | - | 11,341,852 | 9,765,763 |
| - Inter-group | 461 | 67 | 475,991 | 725,862 | - | - | (476,452) | (725,928) | - | - |
| | 10,514,435 | 9,069,445 | 888,981 | 1,059,940 | 414,888 | 362,307 | (476,452) | (725,928) | 11,341,852 | 9,765,763 |
| Segment gross profit/(loss) | 1,007,684 | (538,016) | 220,728 | 179,050 | (42,127) | (99,226) | (60,400) | (31,053) | 1,125,885 | (489,245) |
| Segment expenses | (764,051) | (638,001) | (58,891) | (9,041) | (41,567) | (48,306) | - | - | (864,509) | (695,347) |
| Changes in fair value of | | | | | | | | | | |
| biological assets | - | - | - | - | 105,660 | 93,318 | - | - | 105,660 | 93,318 |
| Other income | 70,303 | 553,097 | 36,039 | 26,637 | 4,223 | 3,481 | (232) | (232) | 110,333 | 582,983 |
| Financial charges | (771,416) | (1,256,104) | (57,894) | (119,049) | (1,431) | (2,954) | - | - | (830,741) | (1,378,108) |
| Taxation | 106,588 | 450,967 | (40,595) | (5,871) | (6,276) | (5,479) | - | - | 59,717 | 439,617 |
| Profit after taxation | (350,892) | (1,428,057) | 99,387 | 71,726 | 18,482 | (59,166) | (60,632) | (31,285) | (293,655) | (1,446,782) |
| Depreciation | 876,092 | 916,102 | 14,870 | 15,037 | 37,104 | 40,603 | 6,915 | 6,914 | 934,981 | 978,656 |
| Capital expenditure | (1,320,653) | (1,003,018) | - | (547) | (3,740) | (3,897) | - | - | (1,324,393) | (1,007,462) |
| Net cash (outflow) / inflow | | | | | | | | | | |
| from operating activities | 3,477,306 | 5,256,778 | 659,943 | (352,742) | (122,752) | (9,237) | (7,582) | (33,090) | 4,006,915 | 4,861,710 |
| Net cash (outflow) / inflow | | | | | | | | | | |
| from investing activities | (1,404,560) | (402,363) | - | 1,571 | 38,776 | 5,631 | - | - | (1,365,784) | (395,161) |
| Rupees in thousands | 30-09-2020 | 30-6-2020 | 30-09-2020 | 30-6-2020 | 30-09-2020 | 30-6-2020 | 30-09-2020 | 30-6-2020 | 30-09-2020 | 30-6-2020 |
| | unaudited | audited | unaudited | audited | unaudited | audited | unaudited | audited | unaudited | audited |
| Segment assets | 128,564,536 | 129,551,534 | 4,648,473 | 5,183,377 | 3,279,026 | 3,273,808 | (3,540,686) | (2,698,004) | 132,951,349 | 135,310,715 |
| Segment liabilities | 60,096,669 | 62,907,377 | 3,014,555 | 3,659,274 | 703,563 | 716,828 | (1,428,603) | (646,554) | 62,386,184 | 66,636,925 |

15.2 Geographical segments

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

16. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on October 23, 2020.

17. Corresponding figures

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



Chief Executive



Chief Financial Officer



Director



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UAN: +92-42-111-11-33-33