



**HALF YEARLY
REPORT,
DECEMBER 31,
2020
(UN-AUDITED)**



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

Financial Statements



Company Information	02
Directors' Report	03

Condensed Interim Unconsolidated

Independent Auditor's Review Report	11
Statement of Financial Position	12
Statement of Profit or Loss - Unaudited	14
Statement of Comprehensive Income - Unaudited	15
Statement of Changes In Equity - Unaudited	16
Statement of Cash Flows - Unaudited	17
Notes to and Forming Part of the Condensed Interim Unconsolidated Financial Information - Unaudited	18

Condensed Interim Consolidated

Statement of Financial Position	30
Statement of Profit or Loss - Unaudited	32
Statement of Comprehensive Income - Unaudited	33
Statement of Changes In Equity - Unaudited	34
Statement of Cash Flows - Unaudited	35
Notes to and Forming Part of the Condensed Interim Consolidated Financial Information - Unaudited	36



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 -
Outlook: Stable
Rating Date: April 03, 2020

ShortTerm: A1+
Rating Agency: PACRA

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

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

Share Registrar: THK Associates (Pvt) Ltd

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Fax: (021) 34168271

Branch Office, Lahore
Siddique Trade Centre, Office
No. PL-29, PL Floor, 72
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Phone: +92 42 3578 1682

For Investors' Information, Comments, Inquiries, Complaints

Mr. Farid Fazal (Director Marketing)
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(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 half of FY21:

	1HY2021	1HY2020
	Rupees in '000'	
Sales	21,862,581	20,888,257
Cost of sales	(18,449,084)	(19,866,771)
Gross profit	3,413,497	1,021,486
Administrative expenses	(310,022)	(357,829)
Selling and distribution expenses	(992,066)	(1,009,495)
Net reversal of impairment / (impairment losses) on financial assets	30,888	(50,200)
Other expenses	(48,172)	(54,878)
Other income	353,624	1,184,946
Finance cost	(1,528,903)	(2,455,664)
Profit/(Loss) before taxation	918,846	(1,721,634)
Taxation	(117,980)	874,576
Profit/(Loss) after taxation	800,866	(847,058)

EPS (Rs/share)	1.83	-1.93
GP%	15.61%	4.89%
PBT%	4.20%	-8.24%
PAT%	3.66%	-4.06%

Production and Sales volumetric data is as under:

	1HY2021	1HY2020
	in MT	
Production:		
Clinker	3,094,799	3,353,987
Cement	2,778,473	2,973,846
Sales:		
Total	2,756,448	2,948,298
Local Cement (excluding own consumption)	2,703,221	2,853,185
Export Cement	53,227	95,113
Clinker Sale	1,008,205	939,208

Calendar year 2020, in summary, can be called as 'Year of uncertainty'. Pandemic COVID-19 that broke out in early months of the year led to chaos in businesses all over the world. Industries were forced to shut down. Downsizing plans in various sectors executed. Supply chain disrupted. Global economy crippled. Many countries across the world went into recession. As per IMF, world economy will regain its 2019 level in 2021. However, things in Pakistan remained under control. There were initial countrywide lockdowns but through effective 'smart lock-down' strategy and public co-operation, overall infection rate did not rise to alarming level. Government through various fiscal and monetary measures tried to relieve the industries in tough times. Various incentives for construction and housing sectors were also announced and implemented. Subsequent

extension in amnesty also kept the momentum going. As a result, Pakistan remained largely insulated from worst outcomes of COVID-19. Though there were slight hiccups during second wave, but overall Pakistan as a nation showed discipline and resolve. As we moved into new financial year, things started picking momentum for Pakistan. Exports and remittances moved upward. Current account turned into surplus. Primary balance remained in-check. Particularly, activities in housing and construction sector, that slowed down for last two years picked up speed. As a result, cement sector showed highest ever dispatches in the first half of financial year. Demand for cement shoot up resulting in higher profitability for cement industry across the country.

In volume terms, total sales quantity of industry witnessed growth of 3.8 million tons (16%) to 28.6 million tons as compared to HY20. North zone contributed growth of 2.6 million tons (14%) against increase of 1.2 million tons (21.5%) in South Zone. Further analysis shows that the growth was mainly driven by local cement sales quantity of 3.2 million tons (16%). Exports also witnessed growth of 0.6 million tons (15%) largely related to clinker. Industry witnessed sales utilization of 83% which remained same as compared to corresponding period last year. It was largely contributed by local sales of 69% against exports sales utilization of 14%.

Kiln operational days of your Company decreased by 8.2% from 586 days to 538 days due to schedule shutdown and repair and maintenance in first quarter. Consequently, clinker production % remained at 91% (1HFY20: 99%). Sales utilization of your Company improved to 111% (1HFY20: 114%) mainly due to export of clinker largely from piling clinker stock as at June 30. Clinker was exported to contribute towards fixed costs earning valuable foreign exchange of USD 29 million from July-December 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 decrease was associated with cost saving on account of lower freight and handling charges. Improvement in collection from our customers resulted in reversals of 'Provision for Expected Credit loss'. Restriction from SBP on banks regarding dividend payment badly hurt your Company other stream of 'dividend income'. Finance cost registered decline due to lowering of discount rate to 7.0% (1HY20: 13.25%).

Government has managed to arrange COVID-19 vaccines from different companies. It has planned to start immunizing general public by the end of first quarter. If everything goes according to the plan, infection rate will start moving downward by end of financial year. However, there is a risk of reallocation of funds from PSDP to Corona relief activities. This may hamper government driven economic activities. Construction activities that gained momentum in first half of FY21 will continue to remain in the upward trajectory owing to growth in housing sector, Government Special Karachi Package, speedy work on small and large dams and CPEC related projects. With capacity expansion in recent years, industry is well geared up to meet these developments. Inflation is also under control and finally moving downward. This may ease some pressure on discount rate. Coal prices have been trending upward since December 2020. The effect of this cost pressure is expected to pass on to the consumers. WHR at Hub site has become operational in January 2021 while CFPP is expected to be operational in the fourth quarter of FY21. 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.

On negative side, as country has moved towards industrialization, there may be some pressure on current account on account of high imports of plant and machinery. This may push the exchange rate upward in short term. Government has recently resumed IMF program. There is uncertainty regarding new conditions from IMF that may impact 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.

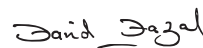
The Directors of your company state that the system of internal control is sound in design and has been effectively implemented and monitored. Significant deviations from last period in operating results of the company are highlighted and reasoned in other parts of Directors report.

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
February 19, 2021

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

آپ کی کمپنی کے ڈائریکٹرز بیان کرتے ہیں کہ داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسکی 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

Rahman

رضاشا
چیف ایگزیکٹو آفیسر

لاہور

19 فروری 2021ء

یورڈ آف ڈائریکٹرز، وقتاً فوقتاً ڈائریکٹرز معاوضہ پالیسی کا جائزہ اور اس کی منظوری دیں گے۔

مندرجہ ذیل کمیٹی کے ڈائریکٹرز ہیں:

محترمہ نازمشا (چیئر پرسن) نان ایگزیکٹو

جناب رضا منشا	ایگزیکٹو
جناب خالد نیاز خوبہ	آزاد
جناب آسامہ محمود	آزاد
جناب محمود اختر	نان ایگزیکٹو
جناب فرید نور علی فضل	ایگزیکٹو
جناب شہزاد احمد ملک	نان ایگزیکٹو

01 خاتون ڈائریکٹرز:

06 مرد ڈائریکٹرز:

آڈٹ کمیٹی

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

ہیومن ریسورس اینڈ ریکرنیشن کمیٹی

جناب خالد نیاز خوبہ	چیئر مین
جناب رضا منشا	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 پلینٹس کی اپنی ذمہ داریوں کو مکمل طور پر پہچانتی ہے۔
کمیٹی 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۔

’ڈیویڈ اینڈ اےم’ کے دیگر بہاؤ کو بری طرح نقصان پہنچایا ہے۔ ڈسکاؤنٹ ریٹ 7.0 ((13.25:1HY20 فیصد) تک کم ہونے کی وجہ سے فنانس لاگت میں رجسٹرڈ کمی ہوئی۔

حکومت مختلف کمپنیوں سے COVID-19 کی ویکسین کا بندوبست کرنے میں کامیاب ہوگئی ہے۔ اس نے پہلی سہ ماہی کے اختتام سے عام لوگوں کو ویکسین لگانا شروع کرنے کا منصوبہ بنایا ہے۔ اگر سب کچھ اس منصوبے کے مطابق ہوتا ہے تو، مالی سال کے آخر تک انفیکشن کی شرح کم ہونا شروع ہو جائے گی۔ تاہم، پی ایس ڈی بی سے کورونا امدادی سرگرمیوں کے لئے فنڈز کی دوبارہ المیوٹیشن کا خطرہ پایا جاتا ہے۔ اس سے حکومت کو معاشی سرگرمیوں کو جاری رکھنے میں رکاوٹ پیدا ہو سکتی ہے۔ تعمیراتی سرگرمیاں جنہوں نے مالی سال 21 کی پہلی ششماہی میں رفتار پکڑی ہے، ہاؤسنگ سیکٹر میں نمو، گورنمنٹ اسپتال کراچی ہیکٹیج، چھوٹے اور بڑے ڈیپو اور سی پی ای سی سے متعلقہ منصوبوں پر کاموں کی تیز رفتاری کے باعث نمو کی رفتار برقرار رہے گی۔ حالیہ برسوں میں صلاحیت میں توسیع کے ساتھ، صنعت ان پیٹر فٹوں کی ضروریات کو پورا کرنے کے لئے اچھی طرح تیار ہے۔ افراط زر بھی قابو میں ہے اور آخر کار کم ہو رہا ہے۔ اس سے ڈسکاؤنٹ شرح پر دباؤ کچھ کم ہو سکتا ہے۔ دسمبر 2021 سے کوئی کمی نہیں بڑھ رہی ہیں۔ توقع کی جارہی ہے کہ اس لاگت کے دباؤ کا اثر صارفین پر منتقل ہو جائے گا۔ جب سائٹ پر WHR جنوری 2021 میں آپریشنل ہو چکا ہے جبکہ CFPP مالی سال 21 کی چوتھی سہ ماہی میں آپریشنل ہونے کی امید ہے۔ اس سے بجلی کے اخراجات میں خاطر خواہ بچت کے ساتھ جب سائٹ پر خود کفالت ہوگی۔ آپ کی کمپنی نے اعلیٰ عدالتوں کے احکامات کے مطابق GIDC کی ادائیگی شروع کر دی ہے۔

منفی پہلو سے، جیسے ہی ملک صنعت کی طرف بڑھا ہے، پلانٹ اور مشینری کی زیادہ درآمد کے سبب کرنٹ اکاؤنٹ پر کچھ دباؤ پڑ سکتا ہے۔ اس سے مختصر مدت میں زر مبادلہ کی شرح بڑھ سکتی ہے۔ حکومت نے مستقبل قریب میں آئی ایم ایف پروگرام دوبارہ شروع کرنے کا اشارہ دیا ہے۔ آئی ایم ایف کی جانب سے نئی شرائط کے بارے میں غیر یقینی صورتحال ہے جو مجموعی طور پر کاروباری ماحول کو متاثر کر سکتی ہے۔

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

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

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۔

کیلنڈر سال 2020 کو، خلاصہ، غیر یقینی صورتحال کا سال کہا جاسکتا ہے۔ سال کے ابتداء میں وبائی بیماری COVID-19 پھیلنے کی وجہ سے پوری دنیا کے کاروباری اداروں میں انتشار پھیل گیا۔ صنعتیں شٹ ڈاؤن کرنے پر مجبور ہو گئیں۔ مختلف شعبوں میں ڈاؤن سائزنگ کے منصوبوں کو عملی جامہ پہنایا گیا۔ سپلائی چینز متاثر ہو گئی۔ عالمی معیشت کمزور ہو گئی۔ دنیا کے بہت سارے ممالک کساد بازاری کا شکار ہو گئے۔ آئی ایم ایف کے مطابق، عالمی معیشت 2021 میں اپنی 2019 کی سطح پر آگئی۔ تاہم، پاکستان میں حالات قابو میں رہے۔ ابتدائی طور پر ملک بھر میں لاک ڈاؤن تھے لیکن مؤثر سمارٹ لاک ڈاؤن حکمت عملی اور عوامی تعاون کے ذریعے، انفیکشن کی مجموعی شرح خطرناک حد تک نہیں بڑھی۔ مختلف مالی اور مالیاتی اقدامات کے ذریعے حکومت نے مشکل ادوار میں صنعتوں کو سہولت پہنچانے کی کوشش کی۔ تعمیرات اور ہاؤسنگ شعبوں کے لئے مختلف مراعات کا اعلان اور ان پر عمل درآمد بھی کیا گیا۔ اینبیسٹی میں توسیع نے بھی اس رفتار کو جاری رکھا۔ اس کے نتیجے میں، پاکستان کو یو ڈی 19 کے بدترین اثرات سے بڑے پیمانے پر محفوظ رہا۔ اگرچہ دوسری لہر کے دوران معمولی اثرات دیکھنے میں آئے، لیکن مجموعی طور پر پاکستانی قوم نے نظم و ضبط اور عزم کا مظاہرہ کیا۔ جیسے ہی ہم نئے مالی سال میں داخل ہوئے تو، پاکستان کے کاروباروں نے رفتار پکڑنا شروع کی۔ برآمدات اور ترسیلات زر بڑھنے لگیں۔ کرنٹ اکاؤنٹ سرپلس میں بدل گیا۔ بنیادی توازن برقرار رہا۔ خاص طور پر، ہائش اور تعمیراتی شعبے میں سرگرمیاں، جو پچھلے دو سالوں سے کم ہو گئی تھیں تیز ہو گئیں۔ اس کے نتیجے میں، سیمنٹ کے شعبے میں مالی سال کی پہلی ششماہی میں اب تک کی سب سے زیادہ ترسیلات ہوئیں۔ سیمنٹ کی طلب بڑھ جانے کے نتیجے میں ملک بھر میں سیمنٹ کی صنعت کو زیادہ منافع ہوا۔

تجم کے لحاظ سے، صنعت کی کل فروخت مقدار میں 3.8 فیصد کی نمو دیکھی گئی ہے۔

تجم کے لحاظ سے، صنعت کی کل فروخت مقدار HY20 کے مقابلے میں 3.8 ملین ٹن (16 فیصد) سے 28.6 ملین ٹن تک زیادہ ہوئی ہے۔ تازہ زون نے جنوبی زون میں 1.2 ملین ٹن (21.5 فیصد) اضافے کے مقابلے میں 2.6 ملین ٹن (14 فیصد) کی نمو میں حصہ ڈالا ہے۔ مزید تجزیہ ظاہر کرتا ہے کہ یہ نمو بنیادی طور پر سیمنٹ کی مقامی فروخت مقدار 3.2 ملین ٹن (16 فیصد) کے ذریعہ حاصل کی گئی ہے۔ برآمدات میں 0.6 ملین ٹن (15 فیصد) کی نمو دیکھی گئی جس کا زیادہ تر تعلق کلنگر سے تھا۔ صنعت میں مستعمل فروخت 83 فیصد دیکھی گئی جو گذشتہ سال کے اسی عرصے جتنی ہی رہی۔ برآمدی مستعمل فروخت 14 فیصد کے مقابلے میں زیادہ سے زیادہ حصہ 69 فیصد مقامی فروخت نے شامل کیا۔

پہلی سہ ماہی میں شیڈول شٹ ڈاؤن اور ریٹائر اور مینٹی نینس کی وجہ سے آپ کی کمپنی کے کلن آپریٹشل دن %8.2 کم ہو کر 586 دنوں سے 538 دن ہو گئے۔ اس کے مطابق، اوسط کلنگر پیداوار 91 فیصد (1HFY20: 99 فیصد) رہی ہے۔ آپ کی کمپنی کی مستعمل فروخت 111 فیصد جو کہ بنیادی طور پر 30 جون کے مطابق پائلنگ کلنگر اسٹاک سے زیادہ سے زیادہ کلنگر کی برآمد کی وجہ سے بہتر ہوئی ہے۔ جولائی دسمبر 2020 سے کلنگر کے مقررہ اخراجات میں حصہ ڈالنے اور 29 ملین امریکی ڈالر کا قیمتی زرمبادلہ کمانے کے لئے کلنگر برآمد کیا گیا تھا۔

قیمت کے لحاظ سے فروخت، بنیادی طور پر سیمنٹ کی مستحکم مقامی قیمتوں کی وجہ سے زیادہ ہوئی ہے۔ کلنگر کی کم پیداوار، کے باوجود GP فیصد بہتر ہوئی، جو کہ زیادہ تر مستحکم ان پٹ لاگتوں سے منسوب ہے۔ تاہم، عام افراط زر سے منسلک اخراجات پر کچھ دباؤ تھا جو کہ مؤثر انتظامات اور آپریٹشل کارکردگی کے ذریعے کم کیا گیا۔ فروخت کے اخراجات میں کمی فریٹ اور پنڈلنگ کے کم چارجز کی مدد میں اخراجات کی بچت سے وابستہ تھی۔ اپنے صارفین سے وصولی میں بہتری متوقع کریڈٹ نقصان کی فراہمی کے reversals کے نتیجے میں ہوئی۔ ڈیویڈنڈ ادائیگی کے سلسلے میں بینکوں پر اسٹیٹ بینک پاکستان کی طرف سے پابندی سے آپ کی کمپنی کے

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 2021 کی پہلی ششماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

پہلی ششماہی مالی سال 2021	پہلی ششماہی مالی سال 2020	
روپے ہزاروں میں		
20,888,257	21,862,581	فروخت
(19,866,771)	(18,449,084)	قیمت فروخت
1,021,486	3,413,497	مجموعی منافع
(357,829)	(310,022)	انتظامی اخراجات
(1,009,495)	(992,066)	فروخت اور تقسیم کے اخراجات
(50,200)	30,888	مالی اثاثوں پر فرسودگی کے نقصانات
(54,878)	(48,172)	دیگر معاملاتی اخراجات
1,184,946	353,624	دیگر آمدنی
(2,455,664)	(1,528,903)	مالی لاگت
(1,721,634)	918,846	ٹیکسیشن سے قبل منافع / (نقصان)
874,576	(117,980)	ٹیکسیشن
847,058)	800,866	ٹیکسیشن کے بعد منافع / (نقصان)
-1.93	1.83	EPS (روپے فی شیئر)
4.89%	15.61%	GP %
-8.24%	4.20%	PBT %
-4.06%	3.66%	PAT %

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

پہلی ششماہی مالی سال 2021	پہلی ششماہی مالی سال 2020	
اعداد و شمار میٹرک ٹن میں		پیداوار
3,353,987	3,094,799	کلنکر کی پیداوار
2,973,846	2,778,473	سیمنٹ کی پیداوار
		فروخت
2,948,298	2,756,448	سیمنٹ کی کل فروخت
2,853,185	2,703,221	سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)
95,113	53,227	سیمنٹ کی برآمد فروخت
939,208	1,008,205	کلنکر کی فروخت



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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of D. G. Khan Cement Company Limited as at December 31, 2020 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the "unconsolidated interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the three-month period ended December 31, 2019 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2020.

Scope of Review

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

Conclusion

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

The engagement partner on the audit resulting in this independent auditor's report is Khurram Akbar Khan.

A. F. Ferguson & Co.

Chartered Accountants,

Lahore

Dated: February 19, 2021

Unconsolidated Condensed Interim Statement of Financial Position

		31 December, 2020	30 June, 2020
	Note	Un-Audited	Audited
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share 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 (June 30, 2020: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Other reserves		30,662,852	27,226,658
Revenue reserve: Un-appropriated profits		35,837,174	35,036,308
		70,881,217	66,644,157
NON-CURRENT LIABILITIES			
Long term finances - secured	6	21,263,682	21,972,000
Long term liability	7	96,095	-
Deferred grant	8	41,700	-
Long term deposits		240,502	253,937
Deferred liabilities		556,455	521,834
Deferred taxation		2,348,599	2,535,349
		24,547,033	25,283,120
CURRENT LIABILITIES			
Trade and other payables		10,079,265	11,298,187
Accrued markup		624,587	712,275
Short term borrowings - secured		22,044,650	23,495,967
Current portion of non-current liabilities		5,395,204	2,048,901
Unclaimed dividend		33,475	33,837
Provision for taxation		35,090	35,090
		38,212,271	37,624,257
Contingencies and Commitments	9	133,640,521	129,551,534

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.



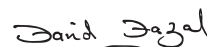
Chief Executive

As At December 31, 2020

		31 December, 2020	30 June, 2020
	Note	Un-Audited	Audited
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	84,332,226	83,548,622
Investments	11	13,607,304	11,849,828
Long term loans to employees		76	76
Long term deposits		57,483	57,908
		97,997,089	95,456,434
CURRENT ASSETS			
Stores, spare parts and loose tools		8,483,681	8,237,990
Stock-in-trade		2,723,684	4,352,995
Trade debts		1,850,203	2,286,084
Investments	11	15,006,694	13,126,388
Loans, advances, deposits, prepayments and other receivables		485,303	613,166
Loan to related party	12	765,000	765,000
Income tax receivable		4,474,081	4,365,643
Cash and bank balances		1,854,786	347,834
		35,643,432	34,095,100
		133,640,521	129,551,534



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Six-Month Period ended December 31, 2020 (Un-audited)

	2020		2019	
	July to December (Rupees in thousand)	October to December (Rupees in thousand)	July to December (Rupees in thousand)	October to December (Rupees in thousand)
Sales	21,862,581	11,348,146	20,888,257	11,818,812
Cost of sales	(18,449,084)	(8,942,333)	(19,866,771)	(10,259,310)
Gross profit	3,413,497	2,405,813	1,021,486	1,559,502
Administrative expenses	(310,022)	(156,363)	(357,829)	(207,255)
Selling and distribution expenses	(992,066)	(383,175)	(1,009,495)	(524,078)
Net impairment losses on financial assets	-	-	(50,200)	(50,200)
Reversal of impairment losses on financial assets	30,888	30,888	-	-
Other expenses	(48,172)	(46,671)	(54,878)	(52,868)
Other income	353,624	283,321	1,184,946	631,849
Finance cost	(1,528,903)	(757,487)	(2,455,664)	(1,199,560)
Profit/(loss) before taxation	918,846	1,376,326	(1,721,634)	157,390
Taxation	(117,980)	(224,568)	874,576	423,611
Profit/(loss) for the period	800,866	1,151,758	(847,058)	581,001
Earnings/(loss) per share (basic and diluted - in Rupees)	1.83	2.63	(1.93)	1.33

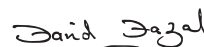
The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Six-Month Period ended December 31, 2020 (Un-audited)

	2020		2019	
	July to December (Rupees in thousand)	October to December (Rupees in thousand)	July to December (Rupees in thousand)	October to December (Rupees in thousand)
Profit/(loss) for the period	800,866	1,151,758	(847,058)	581,001
Other comprehensive income for the period - net of tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Change in fair value of investments at fair value through other comprehensive income (FVOCI) - net of tax	3,436,194	2,435,502	3,775,361	2,774,669
	3,436,194	2,435,502	3,775,361	2,774,669
Total comprehensive income for the period	4,237,060	3,587,260	2,928,303	3,355,670

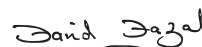
The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Changes In Equity

For the Six-Month Period ended December 31, 2020 (Un-audited)

	(Rupees in thousands)					Total
	Share capital	Share premium	FVOCI reserve	Capital redemption reserve fund	Revenue reserve	
Balance as at June 30, 2019 - Audited	4,381,191	4,557,163	18,940,452	353,510	5,071,827	70,928,415
Total comprehensive (loss)/income for the period						
- Loss for the period	-	-	-	-	-	(847,058)
- Other comprehensive income for the period	-	-	3,775,361	-	-	3,775,361
	-	-	3,775,361	-	-	(847,058)
						2,928,303
Transactions with owners in their capacity as owners recognised directly in equity						
- Final dividend for the year ended June 30, 2019 (Rupee 1.00 per share)	-	-	-	-	-	(438,119)
Balance as at December 31, 2019 - Un-audited	4,381,191	4,557,163	22,715,813	353,510	5,071,827	73,418,599
Balance as at July 1, 2020 - Audited	4,381,191	4,557,163	17,244,158	353,510	5,071,827	66,644,157
Total comprehensive income for the period						
- Income for the period	-	-	-	-	-	800,866
- Other comprehensive income for the year	-	-	3,436,194	-	-	3,436,194
	-	-	3,436,194	-	-	800,866
						4,237,060
Balance as at December 31, 2020 - Un-audited	4,381,191	4,557,163	20,680,352	353,510	5,071,827	70,881,217

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Unconsolidated Condensed Interim Statement of Cash Flows

For the Six-Month Period ended December 31, 2020 (Un-audited)

	Note	2020 July to December (Rupees in thousand)	2019 July to December
Cash flows from operating activities			
Cash generated from operations	14	5,053,228	6,007,755
Finance cost paid		(1,617,169)	(2,472,839)
Retirement and other benefits paid		(48,955)	(65,247)
Income tax paid		(438,608)	(656,431)
Long term deposits - net		(13,435)	18,698
Net cash inflow from operating activities		2,935,061	2,831,936
Cash flows from investing activities			
Payments for property, plant and equipment		(2,550,956)	(1,648,939)
Proceeds from disposal of property, plant and equipment		7,360	71,962
Investments in equity instruments		(176,106)	(147,500)
Long term loans, advances and deposits - net		425	1,230
Recovery of loan to related party		-	235,000
Interest received		32,725	65,557
Dividend received		164,101	987,988
Net cash outflow from investing activities		(2,522,451)	(434,702)
Cash flows from financing activities			
Repayment of long term finances		-	(2,159,702)
Proceeds from long term finances		2,494,703	1,500,000
Dividend paid		(362)	(437,172)
Net cash inflow/(outflow) from financing activities		2,494,341	(1,096,874)
Net increase in cash and cash equivalents		2,906,951	1,300,360
Cash and cash equivalents at the beginning of the period		(23,148,133)	(19,769,652)
Effect of exchange rate changes on cash and cash equivalents		51,318	54,551
Cash and cash equivalents at the end of the period	15	(20,189,864)	(18,414,741)

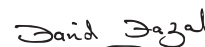
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Chief Executive



Chief Financial Officer



Director

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

For the Six-Month Period Ended December 31, 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 the 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 condensed interim consolidated financial statements along with its condensed interim separate financial statements in accordance with the requirements of accounting and reporting standards as applicable in Pakistan. Condensed interim consolidated financial statements are prepared separately.

3. Significant accounting policies

3.1

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2020 except for the accounting policy adopted as set out in note 3.1.1 and the adoption of new and amended standards as set out in note 3.2:

3.1.1 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.

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

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting period 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.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2021 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 5.

5. Taxation

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

	December 31, 2020	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	

6. Long term finances - secured

Long term loans	- note 6.1	26,372,381	23,982,621
Current portion shown under current liabilities	- note 6.2	(5,108,699)	(2,010,621)
		<u>21,263,682</u>	<u>21,972,000</u>

December 31, 2020	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

6.1 The reconciliation of the carrying amount is as follows:

Opening balance	23,982,621	21,025,324
Disbursements during the period/year	2,494,703	5,935,055
Repayments during the period/year	-	(2,977,758)
	<u>26,477,324</u>	<u>23,982,621</u>
Discounting adjustment - deferred grant - note 8	(131,273)	-
Unwinding of discount on liability	26,330	-
Closing balance	<u>26,372,381</u>	<u>23,982,621</u>

6.2 Current portion shown under current liabilities comprise of:

Current portion of long term finances	5,166,788	2,010,621
Current portion of discounting adjustment	(58,089)	-
	<u>5,108,699</u>	<u>2,010,621</u>

7. Long term liability

During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires and has allowed the settlement of Gas Infrastructure Development Cess ('GIDC') over a period of time and this amount represents its long term portion. The Company has followed the relevant accounting standards and guidelines issued by the Institute of Chartered Accountants of Pakistan ('ICAP') in this regard.

8. Deferred grant

This represents deferred grant recognised in respect of the benefit of below-market interest rate on the following facilities:

- Long term financing facility availed from Allied Bank Limited under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), amounting to Rs 570.338 million. The total facility available amounts to Rs 575 million. The base rate applicable during the period is SBP rate which is 0.50% per annum;

- Long term financing facility availed from Faysal Bank Limited under SBP Refinance Scheme amounting to Rs 574.982 million. The total facility available amounts to Rs 575 million. The base rate applicable during the period is SBP rate which is 0.50% per annum; and

- Long term financing facility availed from Faysal Bank Limited under SBP Temporary Economic Refinance Scheme amounting to Rs 113.773 million. The total facility available amounts to Rs 600 million. The base rate applicable during the period is SBP rate which is 1.70% per annum.

The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The Company has used the prevailing market rate of mark-up for similar instruments to calculate fair values of respective loans. The discount rates used range from 7.47% to 7.76% per annum. The reconciliation of the carrying amount is as follows:

	December 31, 2020	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Opening balance	-	-
Deferred grant recognised during the period/year	131,273	-
Credited to profit or loss	(26,330)	-
	104,943	-
Current portion shown under current liabilities	(63,243)	-
Closing balance	41,700	-

There are no unfulfilled conditions or other contingencies attached to these grants.

9. Contingencies and commitments

9.1 Contingencies

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

9.1.1 The Additional Commissioner Inland Revenue through his order dated September 02, 2020 has curtailed tax credit availed by the Company under section 65B of the Income Tax Ordinance, 2001 pertaining to Tax Year 2018 having an impact of Rs 238.278 million. The Company has filed an appeal against this disallowance before the Commissioner Inland Revenue (Appeals) on the grounds that such tax credit is in respect of a settled position and the same was duly admissible to it as has been settled by appellate authorities. Management of the Company feels that there are meritorious grounds that the ultimate decision would be in its favour, therefore, the said tax credit has not been curtailed in the Company's books.

9.1.2 Subsequent to period end on January 18, 2021, the Commissioner Inland Revenue (Appeals) ('CIR (A)') has passed orders ratifying the earlier demand of Deputy Commissioner Inland Revenue ('DCIR') through which input sales tax, mainly on construction material and vehicles, for the tax periods from June 2016 to July 2017 aggregating Rs 332.817 million was disallowed to the Company. Further, the default surcharge thereon, levied by the DCIR, has also been upheld by CIR(A), that shall be calculated at the time of recovery. The Company is in the process of filing an appeal before the Appellate Tribunal Inland Revenue against the decision of the Commissioner Inland Revenue (Appeals). As per Company's management, there are meritorious grounds that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Company. Therefore, such credit of input sales tax has not been reversed in these interim financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives.

9.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 1,712.585 million (June 30, 2020: Rs 2,614.855 million).
- (ii) Letters of credit for capital expenditure Rs 1,913.057 million (June 30, 2020: Rs 2,237.133 million)
- (iii) Letters of credit other than capital expenditure Rs 939.481 million (June 30, 2020: Rs 1,373.152 million)

		December 31, 2020	June 30, 2020
		Un-audited	audited
		(Rupees in thousand)	
10. Property, plant and equipment			
Operating fixed assets	- note 10.1	76,109,195	76,986,536
Capital work-in-progress	- note 10.2	8,040,824	6,369,586
Major spare parts and stand-by equipment		182,207	192,500
		84,332,226	83,548,622
10.1 Operating fixed assets			
Opening book value		76,986,536	76,928,989
Additions during the period/year	- note 10.1.1	890,010	3,863,587
		77,876,546	80,792,576
Disposals during the period/year - at book value		(3,745)	(136,232)
Depreciation charged for the period/year		(1,763,606)	(3,669,808)
		(1,767,351)	(3,806,040)
Closing book value		76,109,195	76,986,536
10.1.1 Additions during the period/year			
Freehold land		-	15,570
Buildings on freehold land:			
- Factory buildings		130,693	259,593
- Office building and housing colony		338,324	2,531
Roads		14,221	15,454
Plant and machinery		339,407	2,825,699
Quarry equipment		27,757	166,964
Furniture and fittings		16,945	40,407
Office equipment		15,645	82,708
Vehicles		75	52,414
Power and water supply lines		6,943	402,247
		890,010	3,863,587
10.2 Capital work-in-progress			
Civil works		1,473,232	1,608,930
Plant and machinery		6,224,315	4,403,532
Advances to suppliers and contractors		102,331	202,614
Others		240,946	154,510
		8,040,824	6,369,586

11. 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:

	December 31, 2020 Un-audited	June 30, 2020 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	176,107	197,500
Fair value gain recognized in other comprehensive income	117,157	184,074
Carrying value at the end of the period/year	<u>2,658,051</u>	<u>2,364,787</u>

12. 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, 2021 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2020. It carries mark-up at the rate of 1 month KIBOR + 1% per annum. Reconciliation of the carrying amount is as follows:

	December 31, 2020 Un-audited	June 30, 2020 audited
	(Rupees in thousand)	
Opening balance	765,000	1,000,000
Less: Receipts during the period/year	-	(235,000)
Closing balance	<u>765,000</u>	<u>765,000</u>

13. 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:

Relationship with the Company	Nature of transaction	July to December 2020	July to December 2019
		Un-audited	Un-audited
(Rupees in thousand)			
i. Subsidiary entities	Purchase of goods and services	1,056,722	1,311,328
	Rental income	464	464
	Sale of goods	12,825	14,973
ii. Investor	Purchase of goods and services	54	-
	Sale of goods	14,894	15,323
	Dividend income	121,158	121,158
	Dividends paid	-	137,574
iii. Other related entities	Insurance premium	109,000	82,396
	Sale of goods	4,132	35,043
	Dividend income	34,847	864,282
	Dividends paid	-	3,587
	Purchase of goods and services	5,577	43,256
	Mark-up income on balances with related parties	32,331	64,299
	Insurance claims received	9,116	-
	Purchase of shares	176,107	147,500
iv. Key management	Salaries and other employment benefits	106,122	125,650
	Dividend paid	-	23,951
v. Post employment	Expense charged in respect of benefit plans defined benefit plan	85,513	101,367
	Expense charged in respect of defined contribution plan	47,753	47,710
		December 31, 2020	June 30, 2020
		Un-audited	audited
(Rupees in thousand)			
Period/year end balances			
Payable to related parties			
	Trade and other payables	454,213	647,802
Receivable from related parties			
	Trade debts	37,505	20,271
	Loan to related party	765,000	765,000
	Mark-up receivable from related party	5,456	5,850
		807,961	791,121

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

14. Cash generated from operations

Profit/(loss) before tax	918,846	(1,721,634)
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	1,763,606	1,843,086
- (Gain)/loss on disposal of operating fixed assets	(3,614)	31,810
- Net impairment losses on financial assets	-	50,200
- Reversal of impairment losses on financial assets	(30,888)	-
- Dividend income	(164,101)	(987,988)
- Provision for retirement benefits	85,513	101,367
- Mark-up income	(32,331)	(64,299)
- Exchange (gain)/loss	(12,785)	20,858
- Finance cost	1,528,903	2,455,664
Profit before working capital changes	4,053,149	1,729,064
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stores, spare parts and loose tools	(245,691)	1,557,915
- Decrease in stock-in-trade	1,629,311	1,122,544
- Decrease/(increase) in trade debts	464,495	(349,553)
- Decrease in loans, advances, deposits, prepayments and other receivables	127,427	796,467
- (Decrease)/increase in trade and other payables	(975,463)	1,151,318
	1,000,079	4,278,691
	5,053,228	6,007,755

December 31,	December 31,
2020	2019
Un-audited	Un-audited
(Rupees in thousand)	

15. Cash and cash equivalents

Short term borrowings - secured	(22,044,650)	(18,857,801)
Cash and bank balances	1,854,786	443,060
	(20,189,864)	(18,414,741)

16. Financial risk management

16.1 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.

16.2 Fair value estimation

a) Fair value hierarchy

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed above. The following table presents the Company's financial assets measured and recognised at fair value at December 31, 2020 and June 30, 2020 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at December 31, 2020				
Recurring fair value measurements				
Assets				
Investments - FVOCI	23,536,025	-	2,658,051	26,194,076
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.

The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2020.

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

Investment in Nishat Hotels and Properties Limited

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

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

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

- Discount rate of 9.01%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs is linked to inflation at 5.99% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 6.57% to 9.98% per annum depending upon inflation and other factors.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 333.333 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 194.792 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 100.00 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 66.667 million lower.

Investment in Hyundai Nishat Motor (Private) Limited

The main level 3 inputs used by the Company to determine fair value of investment in 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 HNMPL.
- Long term growth rate is estimated based on historical performance of HNMPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique 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 December 31, 2020 would be Rs 138.288 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 84.468 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 36.628 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 17.94 million higher.

	December 31, 2020	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
17. Disclosures by Company Listed on Islamic Index		
Loans/advances obtained as per Islamic mode:		
Loans obtained as per Islamic mode	6,248,922	5,937,320
Shariah compliant bank deposits/bank balances:		
Bank balances	18,446	24,858
	July to December 2020	2019
	Un-audited	audited
	(Rupees in thousand)	
Profit earned from shariah compliant bank deposits/bank balances		
Profit on deposits with banks	252	-
Revenue earned from shariah compliant business		
	21,862,581	20,888,257
Gain/(loss) or dividend earned from shariah compliant investments		
Dividend income	121,980	122,527
Exchange gain/(loss)		
	12,785	(20,858)
Mark-up paid on Islamic mode of financing		
	210,725	443,058
Profits earned or interest paid on any conventional loan or advance		
Profit earned on loan to related party	32,331	64,299
Profit earned on deposits with banks	1,527	1,928
Interest paid on loans	1,406,444	2,029,781
Relationship with shariah compliant banks		

The Company has obtained short term borrowings and long term finances and has maintained bank balances with shariah compliant banks.

18. Date of authorization for issue

These unconsolidated condensed interim financial statements were authorized for issue on February 19, 2021 by the Board of Directors of the Company.

19. Corresponding figures

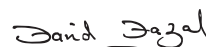
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the unconsolidated condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim 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

		31 December, 2020	30 June, 2020
	Note	Un-Audited	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 capital 438,119,118 (June 30, 2020: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		30,619,518	27,171,663
Un-appropriated profit		36,015,897	35,104,580
Attributable to owners of the parent company		71,016,606	66,657,434
Non-controlling interest		2,126,688	2,016,356
		73,143,294	68,673,790
NON-CURRENT LIABILITIES			
Long term finances - secured	5	21,895,142	22,679,206
Long term liability	6	96,095	-
Long term deposits		240,501	253,937
Deferred grant	7	41,700	-
Deferred liabilities		556,455	521,834
Deferred taxation		2,542,888	2,723,382
		25,372,781	26,178,359
CURRENT LIABILITIES			
Trade and other payables		9,605,781	11,434,927
Accrued finance cost		671,156	803,423
Short term borrowing-secured		23,886,227	25,849,525
Loan from related party - unsecured		214,000	214,000
Current portion of non-current liabilities		5,555,679	2,087,764
Unclaimed dividend		33,475	33,837
Provision for taxation		35,090	35,090
		40,001,408	40,458,566
CONTINGENCIES AND COMMITMENTS			
	8	138,517,483	135,310,715

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial information.



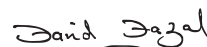
Chief Executive

As At December 31, 2020

	Note	31 December, 2020 Un-Audited (Rupees in thousand)	30 June, 2020 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	87,854,886	87,174,260
Biological assets		910,138	881,340
Investments	10	11,356,638	9,573,740
Long term loans to employees		5,096	5,096
Long term loans, advances and deposits		57,483	57,908
		100,184,241	97,692,344
CURRENT ASSETS			
Stores, spares and loose tools		8,704,491	8,461,802
Stock-in-trade		3,699,116	5,495,625
Trade debts		1,775,623	3,042,990
Investments	10	15,006,722	13,126,408
Advances, deposits, prepayments and other receivables		511,322	893,574
Loan to related party	11	765,000	765,000
Contract assets		123,350	120,019
Income tax recoverable		5,068,822	5,024,962
Cash and bank balances		2,678,796	687,991
		38,333,242	37,618,371
		138,517,483	135,310,715



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Six Months Period ended December 31, 2020 (Un-audited)

	2020		2019	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
Sales	23,664,935	12,323,083	22,623,283	12,857,519
Cost of sales	(19,887,854)	(9,671,887)	(21,495,346)	(11,240,338)
Gross profit	3,777,081	2,651,196	1,127,936	1,617,181
Administrative expenses	(351,706)	(178,324)	(396,666)	(226,785)
Selling and distribution expenses	(993,687)	(383,932)	(1,011,197)	(524,890)
Net impairment losses on financial assets	-	-	(50,200)	(50,200)
Reversal of impairment losses on financial assets	30,888	30,888	-	-
Other expenses	(137,633)	(56,261)	(124,944)	(85,785)
Changes in fair value of biological assets	179,384	73,724	153,367	60,049
Other income	363,891	253,558	1,223,178	640,195
Finance cost	(1,636,465)	(805,724)	(2,711,293)	(1,333,185)
Profit/(loss) before taxation	1,231,753	1,585,125	(1,789,819)	96,580
Taxation	(219,645)	(279,362)	843,781	404,164
Profit/(loss) for the period	1,012,108	1,305,763	(946,038)	500,744
Attributable to :				
Equity holders of the parent	911,317	1,233,927	(905,526)	532,893
Non-controlling interest	100,791	71,836	(40,512)	(32,149)
	1,012,108	1,305,763	(946,038)	500,744
Earnings/(loss) per share (basic and diluted - in Rupees)	2.31	2.98	(2.16)	1.14

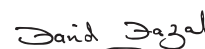
The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Six Months Period ended December 31, 2020 (Un-audited)

	2020		2019	
	July to	October to	July to	October to
	December	December	December	December
	(Rupees in thousand)		(Rupees in thousand)	
Profit/(loss) for the period	1,012,108	1,305,763	(946,038)	500,744
Other comprehensive income for the period				
Items that may be re-classified subsequently to profit or loss:				
Items that will not be subsequently re-classified to profit or loss:				
Change in fair value of investments at fair value through other comprehensive income (OCI)- net of tax	3,457,396	1,272,366	3,801,461	4,804,821
Other comprehensive income / (loss) for the period	3,457,396	1,272,366	3,801,461	4,804,821
Total comprehensive income for the period	4,469,504	2,578,129	2,855,423	5,305,565
Attributable to				
Equity holders of parent	4,359,172	2,501,445	2,884,190	5,324,769
Non-controlling interest	110,332	76,684	(28,767)	(19,204)
	4,469,504	2,578,129	2,855,423	5,305,565

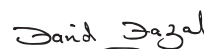
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Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Changes In Equity

For the Six-Month Period ended December 31, 2020 (Un-audited)

	Capital reserve					Revenue reserve			Total equity attributable to shareholders of parent company	Non-controlling interest	Total equity
	Share capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated profits					
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	-	-	-	-	-	(905,526)	(905,526)	(40,512)	(946,038)		
- Loss for the period	-	-	-	-	-	-	-	-	-		
- Other comprehensive income for the period	-	-	-	-	-	-	-	-	-		
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	3,789,716	-	-	-	3,789,716	11,745	3,801,461		
Transactions with owners in their capacity as owners recognised directly in equity	-	-	3,789,716	-	-	(905,526)	2,884,190	(28,767)	2,855,423		
- Final dividend for the year ended June 30, 2019 (Rs 1.00 per share)	-	-	-	-	-	(438,119)	(438,119)	-	(438,119)		
Balance as at December 31, 2019 - Unaudited	4,381,191	4,557,163	22,641,799	353,510	5,110,851	36,400,848	73,445,362	2,010,787	75,456,149		
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	-	-	-	-	-	911,317	911,317	100,791	1,012,108		
- Profit for the period	-	-	-	-	-	911,317	911,317	100,791	1,012,108		
- Other comprehensive income for the period	-	-	-	-	-	-	-	-	-		
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	3,447,855	-	-	-	3,447,855	9,541	3,457,396		
	-	-	3,447,855	-	-	-	4,359,172	110,332	4,469,504		
Balance as at December 31, 2020 - Unaudited	4,381,191	4,557,163	20,597,994	353,510	5,110,851	36,015,897	71,016,606	2,126,688	73,143,294		

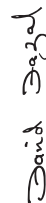
The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Cash Flows

For the Six-Month Period ended December 31, 2020 (Un-audited)

	Note	2020 July to December	2019 July to December
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	6,167,813	6,186,772
Finance cost paid		(1,768,732)	(2,687,068)
Retirement and other benefits paid		(63,227)	(65,246)
Income tax paid		(469,481)	(812,611)
Long term deposits - net		(13,436)	18,698
Net cash inflows from operating activities		3,852,937	2,640,545
Cash flows from investing activities			
Payments for property, plant and equipment		(2,566,201)	(1,662,624)
Proceeds from disposal of property, plant and equipment		8,735	72,749
Long term loans, advances and deposits - net		425	1,229
Proceeds from loan from related party		-	235,000
Proceeds from sale of biological assets		99,850	32,317
Investment in equity instruments		(180,327)	(151,252)
Interest received		34,376	65,601
Dividend received		164,101	994,728
Net cash outflow from investing activities		(2,439,041)	(412,252)
Cash flows from financing activities			
Repayment of long term finances		-	(2,247,480)
Dividend paid		(362)	(437,172)
Proceeds from long term finances		2,540,569	1,500,000
Net cash inflow/(outflow) from financing activities		2,540,207	(1,184,652)
Net increase in cash and cash equivalents		3,954,103	1,043,641
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	14	(21,207,431)	(21,024,125)

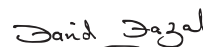
The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Notes to and Forming Part of the Condensed Interim Consolidated Financial

For the Six-Month Period ended December 31, 2020 (Un-audited)

1. Legal Status and nature of business

The group comprises of:

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

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

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

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

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

These consolidated condensed interim financial statements do not include all of the information

required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2019. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Group's financial position and performance since the last annual financial statements.

3. Significant accounting policies

3.1 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 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.

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.

		December 31, 2020	June 30, 2020
		Un-audited	audited
		(Rupees in thousand)	
5. Long term finances			
Long term loans	- note 5.1	27,164,316	24,728,690
Current portion shown under current liabilities	- note 5.2	(5,269,174)	(2,049,484)
		21,895,142	22,679,206
5.1 The reconciliation of the carrying amount is as follows:			
Opening balance		24,728,690	21,875,324
Disbursements during the period		2,540,569	6,278,293
Repayment during the period		-	(3,424,927)
		27,269,259	24,728,690
Discounting adjustment - deferred grant		(131,273)	-
Unwinding of discount on liability		26,330	-
Closing balance		27,164,316	24,728,690
5.2 Current portion shown under current liabilities			
Current portion of long term finances		5,327,263	2,049,484
Current portion of discounting adjustment	- note 6	(58,089)	-
		5,269,174	2,087,764

6. Long term liability

During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires and has allowed the settlement of Gas Infrastructure Development Cess ('GIDC') over a period of time and this amount represents its long term portion. The Group has followed the relevant accounting standards and guidelines issued by the Institute of Chartered Accountants of Pakistan ('ICAP') in this regard.

7. Deferred income - Government grant

The Group received long term loans at concessional market interest rate under IH & SMEFD Circular No. 01, 06 and 07 of 2020 issued by State Bank Of Pakistan. The Group has deferred income associated with the Government grant to amortize over the period of loans.

	December 31, 2020	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Opening balance	-	-
Deferred grant recognised during the period/year	131,273	-
Credited to profit or loss	(26,330)	-
	104,943	-
Current portion shown under current liabilities	(63,243)	-
Closing balance	41,700	-

There are no unfulfilled conditions or other contingencies attached to these grants.

8. Contingencies and commitments

8.1 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:

- (i) The Additional Commissioner Inland Revenue through his order dated September 02, 2020 has curtailed tax credit availed by the Group under section 65B of the Income Tax Ordinance, 2001 pertaining to Tax Year 2018 having an impact of Rs 238.278 million. The Group has filed an appeal against this disallowance before the Commissioner Inland Revenue (Appeals) on the grounds that such tax credit is in respect of a settled position and the same was duly admissible to it as has been settled by appellate authorities. Management of the Group feels that there are meritorious grounds that the ultimate decision would be in its favour, therefore, the said tax credit has not been curtailed in the Group's books.
- (ii) Subsequent to period end on January 18, 2021, the Commissioner Inland Revenue (Appeals) ('CIR(A)') has passed orders ratifying the earlier demand of Deputy Commissioner Inland Revenue ('DCIR') through which input sales tax, mainly on construction material and vehicles, for the tax periods from June 2016 to July 2017 aggregating Rs 332.817 million was disallowed to the Group. Further, the default surcharge thereon, levied by the DCIR, has also been upheld by CIR(A), that shall be calculated at the time of recovery. The Group is in the process of filing an appeal before the Appellate Tribunal Inland Revenue against the decision of the Commissioner Inland Revenue (Appeals). As per Group's management, there are meritorious grounds that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Group. Therefore, such credit of input sales tax has not been reversed in these interim financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives.
- (iii) A guarantee to Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs. 111.799 million (June 30, 2020: Rs 92.647 million).

8.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 1,712.585 million (June 30, 2020: Rs 2,614.855 million).
- (ii) Letters of credit for capital expenditure Rs 1,913.057 million (June 30, 2020: Rs 2,237.133 million).
- (iii) Letters of credit other than capital expenditure Rs 939.481 million (June 30, 2020: Rs 1,397.913 million).

	December 31, 2020	June 30, 2020
	Un-audited	audited

(Rupees in thousand)

9. Property, plant and equipment

Operating Assets	-note 9.1	79,620,059	80,612,174
Capital work-in-progress	-note 9.2	8,052,620	6,369,586
Major spare parts and stand-by equipment		182,207	192,500
		87,854,886	87,174,260

	December 31, 2020	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
9.1 Operating assets		
Opening book value	80,612,174	80,783,631
Add: Additions during the period/ year	893,460	3,888,106
	81,505,634	84,671,737
Less: Disposals during the period/ year - net book value	4,162	116,596
Depreciation charged during the period/ year	1,881,413	3,942,967
	1,885,575	4,059,563
Closing book value	79,620,059	80,612,174
9.1.1 Major additions during the period		
Free hold land	-	16,690
Leasehold land	-	-
Building on freehold land	131,717	103,223
Office building and housing colony	338,324	2,531
Roads	14,221	15,454
Plant and machinery	339,407	3,024,340
Quarry equipment	27,757	130,767
Furniture, fixtures and office equipment	32,834	125,553
Motor vehicles	2,257	67,301
Power and water supply lines	6,943	402,247
	893,460	3,888,106
9.2 Capital work-in-progress		
Civil works	1,483,846	1,608,930
Plant and machinery	6,225,497	4,403,532
Advances to suppliers and contractors	102,331	202,614
Others	240,946	154,510
	8,052,620	6,369,586

10. 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:

	December 31, 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	176,107	197,500
Fair value gain recognized in other comprehensive income	117,157	184,074
Carrying value at the end of the period/year	2,658,051	2,364,787

11. 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, 2021 in accordance with the extension granted in Annual General Meeting of the Group held on October 28, 2020. It carries mark-up at the rate of 1 month KIBOR + 1% per annum. Reconciliation of the carrying amount is as follows:

	December 31, 2020	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Opening balance	765,000	1,000,000
Receipts during the period/year	-	(235,000)
Closing balance	<u>765,000</u>	<u>765,000</u>

12. Transactions with related parties

The related parties include 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 Group, directly or indirectly, including any director (whether executive or otherwise) of that company. The Group in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

		July to December 2020	July to December 2019
		Un-audited	Un-audited
		(Rupees in thousand)	
Relationship with the Group	Nature of transaction		
Other related parties	Purchase of goods and services	46,518	78,428
	Purchase of shares	180,328	147,500
	Insurance premium	113,653	92,853
	Sale of goods	20,441	50,366
	Mark-up income	32,331	64,299
	Insurance claims received	9,116	-
	Dividend income	156,005	992,180
	Dividend paid	-	141,161
Key Management personnel	Salaries and other employment benefits	106,122	125,650
	Dividend paid	-	23,951
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	147,538	160,854

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

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

13. Cash flow from operating activities

Profit/(loss) before tax	1,231,753	(1,789,819)
Adjustment for :		
- Depreciation on property, plant and equipment	1,881,413	1,959,825
- (Gain) / loss on disposal of operating fixed assets	(4,573)	31,378
- Loss on disposal of biological assets	50,736	59,585
- Net Impairment/(reversal of impairment) losses on financial assets	(30,888)	50,200
- Gain on changes in fair value biological asset	(179,384)	(153,367)
- Gain on changes in fair value of investment through P&L	(7)	(9)
- Dividend income	(164,101)	(994,728)
- Retirement and other benefits accrued	99,785	101,367
- Markup income	(33,982)	(65,601)
- Exchange (gain) / loss - net	(735)	20,859
- Finance cost	1,636,465	2,711,293
Profit/(loss) before working capital changes	4,486,482	1,930,982
Working capital changes		
- (Increase)/decrease in stores, spares and loose tools	(242,689)	1,528,899
- Decrease in stock-in-trade	1,796,509	1,100,036
- (Increase)/decrease in trade debts	1,298,255	22,121
- (Increase)/decrease in contract assets	(3,331)	142,357
- Decrease in advances, deposits, prepayments and other receivables	381,858	780,821
- Increase/(decrease) in trade and other payables	(1,549,271)	681,556
Net working capital changes	1,681,331	4,255,790
Cash (used in)/ generated from operations	6,167,813	6,186,772

14. Cash and cash equivalents

Short term borrowings - secured	(23,886,227)	(22,005,132)
Cash and bank balances	2,678,796	981,007
Total cash and cash equivalents	(21,207,431)	(21,024,125)

15. Financial risk management

15.1 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.

15.2 Fair value estimation

a) Fair value hierarchy

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed above. The following table presents the Group's financial assets measured and recognised at fair value at December 31, 2020 and June 30, 2020 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at December 31, 2020				
Recurring fair value measurements				
Assets				
Investments - FVOCI	23,705,282	-	2,658,051	26,363,333
Investments - FVPL	27	-	-	27
Biological assets	-	-	910,138	910,138
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.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2020.

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

Investment in Nishat Hotels and Properties Limited

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 9.01%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.99% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 6.57% to 9.98% per annum depending upon inflation and other factors.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 333.333 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 194.792 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 100.00 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 66.667 million lower.

Investment in Hyundai Nishat Motor (Private) Limited

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

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

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

The significant assumptions used in this valuation technique 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 December 31, 2020 would be Rs 138.288 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 84.468 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 36.628 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs 17.94 million higher.

December 31, 2020	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

16. Disclosures by Company Listed on Islamic Index

Loans/advances obtained as per Islamic mode:

Loans obtained as per Islamic mode

7,150,352	6,901,967
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Shariah compliant bank deposits/bank balances:

Bank balances

20,345	26,067
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July to December	
2020	2019
Un-audited	audited
(Rupees in thousand)	

Profit earned from shariah compliant bank deposits/bank balances

Profit on deposits with banks

252	-
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Revenue earned from shariah compliant business

23,664,935	22,623,283
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Gain/(loss) or dividend earned from shariah complaint investments

Dividend income

121,980	122,527
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Exchange (gain) / loss

(735)	20,859
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Mark-up paid on Islamic mode of financing

257,410	501,943
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Profits earned or interest paid on any conventional loan or advance

Profit earned on loan to related party

32,331	64,299
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Profit earned on deposits with banks

1,793	1,302
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Interest paid on loans

1,511,322	2,185,125
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Relationship with shariah compliant banks

The Company has obtained short term borrowings and long term finances and has maintained bank balances with shariah compliant banks.

17. 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.

17.1 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.

Rupees in thousands	Cement		Paper		Dairy/Farm		Elimination - net		Consolidated	
	July to December 2020 un-audited	July to December 2019 un-audited	July to December 2020 un-audited	July to December 2019 un-audited	July to December 2020 un-audited	July to December 2019 un-audited	July to December 2020 un-audited	July to December 2019 un-audited	July to December 2020 un-audited	July to December 2019 un-audited
Revenue from										
- External Customers	21,862,135	20,888,150	902,388	930,064	900,412	805,069	-	-	23,664,935	22,623,283
- Inter-group	446	108	1,056,722	1,309,201	-	-	(1,057,168)	(1,309,309)	-	-
	21,862,581	20,888,258	1,959,110	2,239,265	900,412	805,069	(1,057,168)	(1,309,309)	23,664,935	22,623,283
Segment gross profit/(loss)	3,413,497	1,021,486	446,276	295,478	(26,312)	(163,667)	(56,380)	(25,361)	3,777,081	1,127,936
Segment expenses	(1,319,372)	(1,472,402)	(43,366)	(11,382)	(89,400)	(99,223)	-	-	(1,452,138)	(1,583,007)
Changes in fair value of biological assets	-	-	-	-	179,384	153,367	-	-	179,384	153,367
Other income	353,624	1,184,946	2,098	31,772	8,631	6,924	(462)	(464)	363,891	1,223,178
Financial charges	(1,528,903)	(2,455,664)	(105,080)	(249,331)	(2,482)	(6,298)	-	-	(1,636,465)	(2,711,298)
Taxation	(117,980)	874,576	(88,042)	(18,613)	(13,623)	(12,182)	-	-	(219,645)	843,781
Profit after taxation	800,866	(847,058)	211,886	47,924	56,198	(121,079)	(56,842)	(25,826)	1,012,108	(946,038)
Depreciation	1,763,606	1,843,086	29,740	30,074	74,238	81,627	13,829	5,038	1,881,413	1,959,825
Capital expenditure	(2,550,956)	(1,648,939)	-	(578)	(15,245)	(13,107)	-	-	(2,566,201)	(1,662,624)
Net cash (outflow) / inflow from operating activities	2,935,061	2,831,936	706,044	(301,608)	(192,999)	15,994	404,831	94,224	3,852,937	2,640,546
Net cash outflow from investing activities	(2,522,451)	(434,702)	(4,172)	2,454	85,980	19,996	1,602	-	(2,439,041)	(412,252)
<i>Rupees in thousands</i>	31.12.2020 unaudited	30.06.2020 audited	31.12.2020 unaudited	30.06.2020 audited	31.12.2020 unaudited	30.06.2020 audited	31.12.2020 unaudited	30.06.2020 audited	31.12.2020 unaudited	30.06.2020 audited
Segment assets	133,640,521	129,551,534	4,886,477	5,183,377	3,207,511	3,280,366	(3,217,026)	(2,704,562)	138,517,483	135,310,715
Segment liabilities	62,759,304	62,907,377	3,129,286	3,659,274	594,333	723,386	(1,108,734)	(653,112)	65,374,189	66,636,925

17.2 Geographical segments

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

18. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Group on February 19, 2021.

19. 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 consolidated 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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