Half Yearly Report, December 31, 2018 (Un-audited)

NISHAT

DG CEMENT

Contents

Company Information	02
Contact Us	03
Directors' Report	04
Condensed Interim Unconsolidated	
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 Cash Flows - Unaudited	16
Statement of Changes In Equity - 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 Cash Flows - Unaudited	34
Statement of Changes In Equity - 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
	Mr. Raza Mansha	Chief Executive
	Mr. Khalid Niaz Khawaja	
	Mr. Mohammad Arif Hameed	
	Mr. Khalid Qadeer Qureshi	
	Mr. Farid Noor Ali Fazal	
	Mr. Shahzad Ahmad Malik	
Audit Committee	Mr. Khalid Niaz Khawaja	Member/Chairman
	Mr. Khalid Qadeer Qureshi	Member
	Mr. Mohammad Arif Hameed	Member
Human Resource & Remuneration Committee	Mr. Khalid Niaz Khawaja	Member/Chairman
	Mr. Raza Mansha	Member
	Mr. Khalid Qadeer Qureshi	Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Management	Mr. Raza Mansha	Chief Executive Officer
	Mr. Aftab Ahmad Khan	Director Finance
	Dr. Arif Bashir	Director Technical & Operations
	Mr. Farid Noor Ali Fazal	Director Marketing
	Mr. Inayat Ullah Niazi	Chief Financial Officer
Local 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 (Pakistan) Limited
	Habib Bank Limited Limited	The Bank of Punjab
	Habib Metropolitan Bank	United Bank Limited
	MCB Bank Limited	
External Auditors	A.F. Ferguson & Co., Chartered Accountants	
Legal Advisors	Mr. Shahid Hamid, Bar-at-Law	
CUIN	0006469	
NTN	1213275-6	
STRN	0402252300164	
Symbol	DGKC	

Contact Us

Registered Office	Nishat House, 53-A, Lawrence Road, Lahore-Pakistan UAN: 92 42 111 11 33 33 Fax: 92 42 36367414 Email: info@dgcement.com web site: www.dgcement.com
Factories	Khofli Sattai, Distt., Dera Ghazi Khan-Pakistan Phone: 92-641-460025-7 Fax: 92-641-462392 Email: dgsite@dgcement.com 12, K.M. Choa Saidan Shah Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal-Pakistan Phone: 92-543-650215-8 Fax: 92-543-650231 Chichaee Gadani Main RCD, Hub, Distt. Lasbela, Pakistan UAN: 92 42 111 11 33 33
Share Registrar	THK Associates (Pvt) Ltd Head Office, Karachi 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi. Tel: (021) 111 000 322 Fax: (021) 34168271 Branch Office, Lahore DYL Motorcycles Ltd. Office, 147-Q Block, Behind Emporium Mall, Johar Town, Lahore Cell: 0303-4444795, 0323-8999514
For Investors' Information, Comments, Inquiries, Complaints:	Mr. Inayat Ullah Niazi Chief Financial Officer E-mail: iniazi@dgcement.com Phone: 0092 42 111 11 33 33 Mr. Khalid Mehmood Chohan Company Secretary E-mail: kchohan@dgcement.com Phone: 0092 42 111 11 33 33

Directors' Report

The directors of your company are pleased to present you the results of first half of FY19:

PKR in thousands

	HY1FY19	HY1FY18
Sales	19,767,205	15,763,670
Cost of sales	(16,582,421)	(10,513,750)
Gross profit	3,184,784	5,249,920
Administrative expenses	(311,956)	(295,919)
Selling and distribution expenses	(648,293)	(460,165)
Other operating expenses	(431,180)	(469,528)
Other income	1,144,631	1,192,845
Finance cost	(1,348,148)	(192,644)
Profit before taxation	1,589,838	5,024,509
Taxation	151,951	(1,290,654)
Profit after taxation	1,741,789	3,733,855
EPS	3.98	8.52

Production and Sales volumetric data is as under:

Figures in MT

	HY1FY19	HY1FY18
Clinker Production	3,093,121	2,133,767
Cement Production	2,653,899	2,440,060
Cement -Total Sales	2,645,188	2,448,267
Cement Local Sales (Excluding own consumption)	2,469,752	2,192,237
Cement Exports Sales	175,436	256,030
Clinker Exports	361,326	-

Volumetric Change in % with respect to comparative previous periods:

	HY1FY19	HY1FY18
Clinker Production	44.96	3.29
Cement Production	8.76	8.49
Cement -Total Sales	8.04	10.11
Cement Local Sales (Excluding own consumption)	12.66	14.55
Cement Exports Sales	(31.48)	(17.30)
Clinker Exports	100.00	-

	HY1FY19	HY1FY18
GP margin (%)	16	33
PBT margin (%)	8	32

The Company's gross margin for half year declined by 39% and Q2 gross margin reduced by 17% when compared with same periods of last year. In comparison with previous year's half year results the sales increased by 25% but the cost of sales jumped by 58%.

Local sale volumes from Hub plant are not adequate yet. Therefore, clinker is being exported to keep a certain utlisation level and covering of costs as clinker price is not lucrative in regional markets. On the other side coal prices remained a major contributory to high cost of sales. The devaluation of local currency also multiplied the adverse impact of coal and other imported stuff.

During the period the Company reviewed and rationalized its deprecation policy on fixed assets. This is to bring the depreciation rates in accordance with the economic useful lives of the assets. Resultantly, useful lives of plant and machinery, factory buildings and quarry equipment have been increased while useful lives of furniture and fittings and office equipment have been decreased. Had there been no change in the accounting estimate, the profit before tax for the half year ended December 31, 2018 would have been lower by Rs 987.873 million and carrying value of operating fixed assets as at that date would have been lower by the same amount.

The credit tax figure pertains to deferred tax as there is no current tax for the period as tax liability is offset by investment credit.

Pakistan Cement Industry despatches growth, period to comparative period, in percentages:

	North			South			Aggregate		
	Local	Exports	Total	Local	Exports	Total	Local	Exports	Total
HY FY19	(6)	(18)	(7)	21	243	55	(1)	48	4
HY FY18	18	(8)	15	14	(36)	2	17	(17)	12

* Local sales exclude clinker local sales.

Industry's utilization (in percentages) status:

	North			South			Aggregate		
	Local	Exports	Total	Local	Exports	Total	Local	Exports	Total
HY FY19	77	7	84	58	30	88	72	13	85
HY FY18	86	9	95	69	12	81	82	10	92

* Local sales exclude clinker local sales.

Industry's overall utilization decreased from 92 to 85 and growth in despactes is minimal at around 4% with negative 1% on local side and positive 48% on exports front. Clinker exports is the main factor behind this high increase in exports growth from South zone.

In future prospects cement volumetric sales to remain positive. The Company will continue to export clinker. As in regional market, clinker market is wide as compared to cement for the time being. Recent tensions between Pakistan and India will affect the cement exports and resultant sales flows as cement exports to India account for a majority percentage of exports. To counter this, Company will explore new venues in foreign markets. Prices of cement in local market may remain volatile but range bound. Market has feelings that interest rates could further go upward and PKR may also get further hit of depreciation. Coal prices are still volatile but declined and this move in favour of the Company. Profitability of the Company in near future will depend on positives like local sales growth, price stability and negatives like blocking of exports to India, high interest rates, FX devaluation, inflationary pressure and economic slow-down may hit expected profitability.

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

- Tight price market and tough competition
- Capacity utilization

- Interest rate
- Foreign currency fluctuations
- Shrinking exports market

Following are the directors of the Company:

Mr. Raza Mansha	Executive
Mr. Khalid Niaz Khawaja	Independent
Mr. Mohammad Arif Hameed	Non-Executive
Mr. Khalid Qadeer Qureshi	Non-Executive (Deceased on February 24, 2019)
Mr. Farid Noor Ali Fazal	Executive
Mr. Shahzad Ahmad Malik	Non-Executive

Female Directors:	01
Male Directors:	06

Audit Committee

Mr. Khalid Niaz Khawaja	Chairman
Mr. Mohammad Arif Hameed	Member
Mr. Khalid Qadeer Qureshi	Member (Deceased on February 24, 2019)

Human Resource & Remuneration Committee

Mr. Khalid Niaz Khawaja	Chairman
Mr. Raza Mansha	Member
Mr. Khalid Qadeer Qureshi	Member (Deceased on February 24, 2019)

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 26, 2019

• سود کی شرح
• غیر ملکی کرنسی کا اتار چڑھاؤ
• برآمد مارکیٹ کا سکڑاؤ

مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:

محترمہ ناز منشا (چیئرپرسن)	نان ایگزیکٹو
جناب رضا منشا	ایگزیکٹو
جناب خالد نیاز خواجہ	آزاد
جناب محمد عارف حمید	نان ایگزیکٹو
جناب خالد قدیر قریشی	نان ایگزیکٹو(24 فروری 2019 کو وفات پا گئے)
جناب فرید نور علی فضل	ایگزیکٹو
جناب شہزاد احمد ملک	نان ایگزیکٹو
خاتون ڈائریکٹرز:	01
مرد ڈائریکٹرز:	06

آڈٹ کمیٹی

جناب خالد نیاز خواجہ	چیئرمین
جناب محمد عارف حمید	رکن
جناب خالد قدیر قریشی	رکن(24 فروری 2019 کو وفات پا گئے)

ہیومن ریسورس اینڈ ریمنریشن کمیٹی

جناب خالد نیاز خواجہ	چیئرمین
جناب رضا منشا	رکن
جناب خالد قدیر قریشی	رکن(24 فروری 2019 کو وفات پا گئے)

اختتام پذیر مدت کی حیثیت کو متاثر کرنے والے کوئی بعد از بیلنس شیٹ نمایاں واقعات رونما نہیں ہوئے ہیں۔ ہمارے پلانٹس اور آپریشنز بین الاقوامی اور قومی ماحولیاتی معیارات کی تعمیل کر رہے ہیں۔ DGKC سوسائٹی اور ویلفیئر کی اپنی ذمہ داریوں کو مکمل طور پہچانتی ہے۔ کمپنی نزدیکی آبادیوں کے لئے تعلیم، صحت، طبی اور آگ بجھانے کی سہولیات، واٹر سپلائی، نزدیکی علاقوں میں ایمرجنسی اور آفاقی حالات میں مدد، آگاہی مہمات وغیرہ پر خرچ کر رہی ہے۔

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

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

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

منجانب بورڈ

رضا منشا
چیف ایگزیکٹو آفیسر

فرید نور علی فضل
ڈائریکٹر

لاہور
26 فروری 2019ء

	HY1FY19	HY1FY18
GPمارجن(%)	16	33
PBTمارجن(%)	8	32

ششماہی کے لئے کمپنی کا مجموعی مارجن 39% تک کم ہوگیا اور Q2 کا مجموعی مارجن 17 % تک کم ہوگیا۔ گزشتہ سال کی ششماہی کے موازنہ میں فروخت 25% تک بڑھ گئی لیکن قیمتِ فروخت 58 % تک بڑھ گئی۔

حب پلانٹ سے مقامی فروخت کا حجم ابھی کافی نہیں ہے۔ لہٰذا، مستعمل پیداواری سطح برقرار رکھنے اور اخراجات کو پورا کرنے کے لئے کلنکر برآمد کیا جارہا ہے کیونکہ کلنکر کی قیمت علاقائی مارکیٹوں میں منافع بخش نہیں ہے۔ دوسری طرف کوئلہ کی قیمتوں نے پیداواری لاگت بڑھانے میں اہم کردار ادا کیا ہے۔ مقامی کرنسی کی قدر میں کمی سے بھی کوئلے اور دیگر درآمد شدہ سامان کے منفی اثرات میں اضافہ ہوا۔

اس مدت کے دوران کمپنی نے منجمد (فکسڈ) اثاثوں پر اپنی ڈپریسی ایشن پالیسی کا بغور جائزہ لیا ہے اور اس کو اثاثوں کی اقتصادی مفید زندگی کے مطابق کیا ہے۔ نتیجتاً، پلانٹ اور مشینری، فیکٹری کی عمارتوں اور سامان کی مفید زندگی تو بڑھ گئی ہے جبکہ فرنیچر، فکنگز اور متعلقہ دفتری سامان کی مفید زندگی کم ہوگئی ہے۔ اگر اس اکاؤنٹنگ تخمینہ میں کوئی تبدیلی نہ آتی تو، 31 دسمبر 2018 کو ختم ہونے والی ششماہی کے لئے ٹیکس سے قبل منافع 987.873 ملین روپے سے کم ہوتا اور اسی تاریخ پر اتنی ہی رقم سے آپریٹنگ منجمد اثاثوں کی قدر کم ہوتی۔

کریڈٹ ٹیکس کے اعداد و شمار زیرِ التوا ٹیکس سے متعلق ہیں کیونکہ اس مدت کے لئے کوئی کرنٹ ٹیکس نہیں ہے کیونکہ اس مدت کے کرنٹ ٹیکس کو سرمایہ کاری کریڈٹ نے ختم کر دیا ہے۔

تقابلی مدت کے لحاظ سے پاکستان سیمنٹ صنعت کی ترسیلات نمو، فیصد میں:

	شمالی			جنوبی			مجموعی		
	مقامی	برآمد	کل	مقامی	برآمد	کل	مقامی	برآمد	کل
HY1FY19	(6)	(18)	(7)	21	243	55	(1)	48	4
HY1FY18	18	(8)	15	14	(36)	2	17	(17)	12

* مقامی فروخت علاوہ کلنکر کی مقامی فروخت۔

صنعت کی مستعمل پیداواری (فیصد میں) حیثیت:

	شمالی			جنوبی			مجموعی		
	مقامی	برآمد	کل	مقامی	برآمد	کل	مقامی	برآمد	کل
HY1FY19	77	7	84	58	30	88	72	13	85
HY1FY18	86	9	95	69	12	81	82	10	92

* مقامی فروخت علاوہ کلنکر کی مقامی فروخت۔

انڈسٹری کی مجموعی طور پر مستعمل پیداوار کم ہو کر 92 سے 85 فیصد تک ہوگئی اور ترسیلات میں نمو مقامی سطح پر منفی 1 % اور برآمد فرنٹ پر مثبت 48% کے ساتھ تقریباً 4 فی صد پر ہے۔ جنوبی زون سے برآمدی نمو میں اس اضافہ کے پیچھے کلنکر برآمدات بنیادی عنصر ہے۔

مستقبل کے امکانات میں سیمنٹ کی حجمی فروخت مثبت رہے گی۔ کمپنی کلنکر کی برآمد جاری رکھے گی۔ کیونکہ علاقائی مارکیٹ میں، اس وقت سیمنٹ کے مقابلے کلنکر مارکیٹ وسیع ہے۔ پاکستان اور بھارت کے درمیان حالیہ کشیدگی سیمنٹ کی برآمدات پر اثر انداز ہوگی کیونکہ سیمنٹ برآمدات کا اکثریتی حصہ بھارت کو جاتا ہے۔ اس کے نتیجے میں کمپنی غیر ملکی مارکیٹوں میں نئے مواقع تلاش کرے گی۔ مقامی مارکیٹ میں سیمنٹ کی قیمتیں غیر مستحکم لیکن ایک حد تک محدود رہ سکتی ہیں۔ مارکیٹ میں توقعات ہیں کہ سود کی شرح مزید بڑھ سکتی ہے اور پاکستانی روپیہ کی قیمت بھی مزید کم ہو سکتی ہے۔ کوئلہ کی قیمتیں ابھی غیر مستحکم ہیں لیکن کم ہوئی ہیں اور یہ بھی کمپنی کے حق میں ہے۔ مستقبل قریب میں کمپنی کی منافع یابی کا انحصار مقامی فروخت کی نمو، قیمت کے استحکام، بھارت کو برآمد پر پابندی، بڑھتی سود کی شرح، ایف ایکس کی قدر میں کمی، افراط زر کے دباؤ اور ملکی اقتصادی رفتار پر ہے۔

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

• مارکیٹ قیمت اور سخت مقابلہ
• مستعمل پیداواری صلاحیت

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 19 کی پہلی ششماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

پاکستانی روپے ہزاروں میں

	پہلی ششماہی مالی سال 2019	پہلی ششماہی مالی سال 2018
فروخت	19,767,205	15,763,670
قیمت فروخت	(16,582,421)	(10,513,750)
مجموعی منافع	3,184,784	5,249,920
انتظامی اخراجات	(311,956)	(295,919)
فروخت اور تقسیم کے اخراجات	(648,293)	(460,165)
دیگر معاملاتی اخراجات	(431,180)	(469,528)
دیگر آمدنی	1,144,631	1,192,845
مالی لاگت	(1,348,148)	(192,644)
ٹیکسیشن سے قبل منافع	1,589,838	5,024,509
ٹیکسیشن	151,951	(1,290,654)
ٹیکسیشن کے بعد منافع	1,741,789	3,733,855
فی شیئر آمدنی	3.98	8.52

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

اعداد و شمار میٹرک ٹن میں

	پہلی ششماہی مالی سال 2019	پہلی ششماہی مالی سال 2018
کلنکر کی پیداوار	3,093,121	2,133,767
سیمنٹ کی پیداوار	2,653,899	2,440,060
سیمنٹ کی کل فروخت	2,645,188	2,448,267
سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)	2,469,752	2,192,237
سیمنٹ کی برآمد فروخت	175,436	256,030
کلنکر کی برآمد	361,326	-

گزشتہ مدتوں کے تقابلی لحاظ سے فیصد میں حجمی تبدیلی

	پہلی ششماہی مالی سال 2019	پہلی ششماہی مالی سال 2018
کلنکر کی پیداوار	44.96	3.29
سیمنٹ کی پیداوار	8.76	8.49
سیمنٹ کی کل فروخت	8.04	10.11
سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)	12.66	14.55
سیمنٹ کی برآمد فروخت	(31.48)	(17.30)
کلنکر کی برآمد	100.00	-

DG

CEMENT

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of D.G Khan Cement Company Limited as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2017 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2018.

Scope of Review

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

Conclusion

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

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

Chartered Accountants,

A.F.Ferguson & Co

Lahore,
Dated: February 26, 2019

Unconsolidated Condensed Interim
Statement of Financial Position

	Note	31 December, 2018 Un-Audited	30 June, 2018 Audited
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
- 950,000,000 (June 30, 2018: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2018: 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, 2018: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		32,227,242	34,761,625
Revenue reserve: Un-appropriated profit		37,871,381	37,991,605
		74,479,814	77,134,421
NON-CURRENT LIABILITIES			
Long term finances - secured	6	17,816,122	17,730,324
Long term deposits		186,761	109,726
Deferred liabilities		309,038	278,379
Deferred taxation		3,594,369	4,082,974
		21,906,290	22,201,403
CURRENT LIABILITIES			
Trade and other payables		7,806,483	7,595,299
Accrued finance cost		590,562	347,880
Short term borrowings - secured		14,389,357	12,209,667
Current portion of non-current liabilities		4,253,280	2,336,910
Unclaimed dividend		39,138	28,347
Provision for taxation		35,090	35,090
		27,113,910	22,553,193
Contingencies and Commitments	7		
		123,500,014	121,889,017

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

Chief Executive

As At December 31, 2018 (Un-audited)

	Note	31 December, 2018 Un-Audited	30 June, 2018 Audited
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	77,532,796	76,493,984
Investments	9	13,715,709	16,259,564
Long term loans to employees		574	574
Long term deposits		60,834	59,269
		91,309,913	92,813,391
CURRENT ASSETS			
Stores, spare parts and loose tools		6,174,028	5,114,227
Stock-in-trade		2,714,054	1,377,596
Trade debts		1,361,637	188,293
Investments	9	15,678,622	16,018,594
Loans, advances, deposits, prepayments and other receivables		1,791,092	2,637,675
Loan to related party	10	1,000,000	1,000,000
Income tax receivable		2,889,832	2,270,137
Cash and bank balances		580,836	469,104
		32,190,101	29,075,626
		123,500,014	121,889,017

Chief Financial Officer

David Jazal

Director

Unconsolidated Condensed Interim Statement of Profit or Loss
For the Quarter and Half Year Ended December 31, 2018 (Un-audited)

		2018		2017	
		July to December	October to December	July to December	October to December
	Note	(Rupees in thousand)		(Rupees in thousand)	
Sales		19,767,205	11,581,312	15,763,670	8,236,221
Cost of sales	11	(16,582,421)	(9,433,893)	(10,513,750)	(5,641,518)
Gross profit		3,184,784	2,147,419	5,249,920	2,594,703
Administrative expenses		(311,956)	(142,310)	(295,919)	(146,480)
Selling and distribution expenses		(648,293)	(471,174)	(460,165)	(227,414)
Other expenses	9.1	(431,180)	(403,191)	(469,528)	(273,254)
Other income		1,144,631	675,339	1,192,845	707,543
Finance cost		(1,348,148)	(736,119)	(192,644)	(103,953)
Profit before taxation		1,589,838	1,069,964	5,024,509	2,551,145
Taxation		151,951	254,002	(1,290,654)	(1,654,718)
Profit for the period		1,741,789	1,323,966	3,733,855	896,427
Earnings per share					
(basic and diluted - in Rupees)		3.98	3.02	8.52	2.05

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

Chief Executive	Chief Financial Officer	Director

Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Half Year Ended December 31, 2018 (Un-audited)

	2018		2017	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	1,741,789	1,323,966	3,733,855	896,427
Other comprehensive (loss)/income for the period - net of tax				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale investments	(2,871,037)	(3,469,541)	(538,590)	129,768
Tax effect of change in fair value of available-for-sale investments	336,654	336,654	-	-
Items that will not be subsequently reclassified to profit or loss	-	-	-	-
	(2,534,383)	(3,132,887)	(538,590)	129,768
Total comprehensive (loss)/income for the period	(792,594)	(1,808,921)	3,195,265	1,026,195

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

Chief Executive

Chief Financial Officer

Director

Unconsolidated Condensed Interim Cash Flow Statement
For the Half Year Ended December 31, 2018 (Un-audited)

	Note	2018 July to December	2017 July to December
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	1,390,585	5,255,751
Finance cost paid		(1,105,466)	(151,107)
Retirement and other benefits paid		(34,820)	(27,519)
Income tax paid		(619,695)	(700,044)
Long term deposits - net		77,035	8,155
Net cash (used in)/generated from operating activities		(292,361)	4,385,236
Cash flows from investing activities			
Fixed capital expenditure		(2,764,272)	(7,655,023)
Proceeds from disposal of operating fixed assets		20,735	26,976
Investments in equity instruments		(150,000)	(127,485)
Long term loans and deposits - net		(1,565)	(379)
Interest received		46,378	35,450
Dividend received		1,019,492	1,085,456
Net cash used in investing activities		(1,829,232)	(6,635,005)
Cash flows from financing activities			
Repayment of long term finances		(697,833)	(250,000)
Proceeds from long term finances		2,700,000	6,884,000
Settlement of derivative financial instrument		-	(35,077)
Dividend paid		(1,851,222)	(3,285,893)
Net cash generated from financing activities		150,945	3,313,030
Net (decrease)/increase in cash and cash equivalents		(1,970,648)	1,063,261
Cash and cash equivalents at the beginning of the period		(11,740,563)	(8,149,348)
Exchange losses on cash and cash equivalents		(97,310)	(112,236)
Cash and cash equivalents at the end of the period	14	(13,808,521)	(7,198,323)

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

Chief Executive

Chief Financial Officer

Director

Unconsolidated Condensed Interim Statement of Changes In Equity

For the Half Year Ended December 31, 2018 (Un-audited)

Rupees in thousands	Capital reserve				Revenue reserve		
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Unappropriated profit	Total
Balance as at July 1, 2017 - Audited	4,381,191	4,557,163	28,031,837	353,510	5,071,827	32,473,351	74,868,879
- Profit for the period	-	-	-	-	-	3,733,855	3,733,855
- Other comprehensive loss for the period	-	-	(538,590)	-	-	-	(538,590)
Total comprehensive (loss)/income for the period	-	-	(538,590)	-	-	3,733,855	3,195,265
Transactions with owners in their capacity as owners recognised directly in equity							
- Final dividend for the year ended June 30, 2017 (Rs 7.5 per share)	-	-	-	-	-	(3,285,893)	(3,285,893)
Balance as at December 31, 2017 - Un-Audited	4,381,191	4,557,163	27,493,247	353,510	5,071,827	32,921,313	74,778,251
Balance as at July 1, 2018 - Audited	4,381,191	4,557,163	24,779,125	353,510	5,071,827	37,991,605	77,134,421
- Profit for the period	-	-	-	-	-	1,741,789	1,741,789
- Other comprehensive loss for the period	-	-	(2,534,383)	-	-	-	(2,534,383)
Total comprehensive (loss)/income for the period	-	-	(2,534,383)	-	-	1,741,789	(792,594)
Transactions with owners in their capacity as owners recognised directly in equity							
- Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)	-	-	-	-	-	(1,862,013)	(1,862,013)
Balance as at December 31, 2018 - Un-Audited	4,381,191	4,557,163	22,244,742	353,510	5,071,827	37,871,381	74,479,814

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

Chief Executive

Chief Financial Officer

Director

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the Quarter and Half Year Ended December 31, 2018 (Un-audited)

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 Companies Act, 2017). The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore.

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

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

2.2 This condensed interim financial information is un-audited and is being submitted to the members as required by section 237 of the Companies Act, 2017 (the "Act").

This condensed interim financial information does 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, 2018. 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 information along with its condensed interim separate financial information in accordance with the requirements of accounting and reporting standards as applicable in Pakistan. Condensed interim consolidated financial information is prepared separately.

3. Significant accounting policies

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2018 except for the adoption of new and amended standards as set out below:

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018, 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 this condensed interim financial information, except for IFRS 15, 'Revenue from Contracts with Customers'. The impact of the adoption of this standard and new accounting policy is disclosed in note 3.4 below.

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

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequent to reporting date, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the Company has not adopted this standard in the preparation of this condensed interim financial information for the half year ended December 31, 2018.

This standard replaces the guidance in IAS 39, 'Financial Instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. As allowed above, the Company will apply this standard in the preparation of its financial statements for the year ending June 30, 2019 and it is yet to assess the full impact of this standard.

Further, the following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on July 1, 2019, and the Company has not early adopted them:

	Effective date (accounting periods beginning on or after)
IIFRS 16 'Leases'	January 01, 2019
IFRIC 23 'Uncertainty over income tax treatments'	January 01, 2019

The Company will apply these standards/interpretations to standards from their respective effective dates and has yet to assess the impact of these amendments on its financial statements.

3.4 New accounting policy and impact thereof

3.4.1 IFRS 15, 'Revenue from Contracts with Customers'

New accounting policy

Revenue from sale of goods is recognised when the when the Company satisfies a performance obligation by transferring a promised good or service to a customer.

In case of local sales, revenue is recognised at the time of despatch from the factory.

In case of export sales of the company, the delivery of cement/clinker and transportation are two distinct performance obligations and the total transaction price is allocated to each performance obligation. Revenue relating to each performance obligation is recognized on satisfaction of each distinct performance obligation.

Impact of adoption

The company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition policy of the company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is not material and hence, has not been accounted for.

4. Accounting estimates

The preparation of the condensed interim financial information 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 this condensed interim financial information, 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, 2018 except for the change in accounting estimate disclosed in note 4.1.

4.1 Change in accounting estimate

During the period, the Company carried out a comprehensive review of the remaining useful lives of the Company's operating fixed assets and as a result of such review, management identified that plant and machinery, factory buildings and quarry equipment require an upward revision whereas furniture and fittings and office equipment require a downward revision in their useful lives. Hence, the remaining useful lives of plant and machinery, factory buildings and quarry equipment have been increased while useful lives of furniture and fittings and office equipment have been decreased. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit before tax for the half year ended December 31, 2018 would have been lower by Rs 987.873 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, future profits before tax would decrease by Rs 987.873 million.

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, 2018 Un-audited	June 30, 2018 audited
		(Rupees in thousand)	
6. Long term finances - secured			
Long term loans	- note 6.1	22,042,638	20,040,471
Current portion shown under current liabilities		(4,226,516)	(2,310,147)
		17,816,122	17,730,324

6.1 The reconciliation of the carrying amount is as follows:

	December 31, 2018	June 30, 2018
Opening balance	20,040,471	13,020,000
Disbursements during the period/year	2,700,000	7,853,805
Repayments during the period/year	(697,833)	(833,334)
Closing balance	22,042,638	20,040,471

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2018 except for the matter disclosed in note 15.1.7 to the previous annual financial statements, which is mentioned below:

The Company made alternate arrangements of water for its Khairpur plant and hence, the Honourable Supreme Court of Pakistan disposed of the matter through its order dated November 19, 2018 (further amended through its order dated January 10, 2019) wherein it directed the Company to contribute Rs 100 million to the "Diamer-Bhasha and Mohmand Dams Fund" which the Company has deposited during the period.

7.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 965.814 million (June 30, 2018: Rs 224.277 million).

(ii) Letters of credit for capital expenditure Rs 2,164.237 million (June 30, 2018: Rs 235.266 million).

(iii) Letters of credit other than for capital expenditure Rs 2,391.100 million (June 30, 2018: Rs 3,091.684 million).

(iv) The amount of future payments under non-cancellable operating leases and the period in which these payments will become due are as follows:

	December 31, 2018 Un-audited	June 30, 2018 audited
	(Rupees in thousand)	
Not later than one year	425	331
Later than one year and not later than five years	1,699	1,325
Later than five years	5,333	4,307
	7,457	5,963

8. Property, plant and equipment

		December 31, 2018 Un-audited	June 30, 2018 audited
Operating fixed assets	- note 8.1	72,429,568	73,434,283
Capital work-in-progress	- note 8.2	4,738,502	2,967,935
Major spare parts and stand-by equipment		364,726	91,766
		77,532,796	76,493,984

8.1 Operating fixed assets

		December 31, 2018 Un-audited	June 30, 2018 audited
Opening book value		73,434,283	30,987,739
Additions during the period/year	- note 8.1.1	720,746	46,233,538
		74,155,029	77,221,277
Disposals during the period/year - at book value		(12,828)	(212,625)
Depreciation charged for the period/year		(1,712,633)	(2,304,249)
Impairment charged for the period/year		-	(1,270,120)
		(1,725,461)	(3,786,994)
Closing book value		72,429,568	73,434,283

	December 31, 2018 Un-audited	June 30, 2018 audited
	(Rupees in thousand)	

8.1.1 Additions during the period/year

Freehold land	1,542	175,361
Buildings on freehold land:		
- Factory buildings	-	12,251,170
- Office building and housing colony	-	1,411,901
Roads	1,539	827,897
Plant and machinery	160,268	26,516,470
Quarry equipment	324,571	1,876,865
Furniture and fittings	61,730	121,632
Office equipment	30,672	60,262
Vehicles	137,698	142,727
Power and water supply lines	2,726	2,849,253
	720,746	46,233,538

8.2 Capital work-in-progress

Civil works	727,944	226,299
Plant and machinery	976,438	756,743
Advances for capital expenditure	226,528	8,954
Expansion project:		
- Civil works	1,521,238	496,086
- Plant and machinery	521,854	304,763
- Advances to suppliers and contractors	678,620	1,175,090
- Others	85,880	-
	2,807,592	1,975,939
	4,738,502	2,967,935

9. Investments

Carrying value of investments at the beginning of the period/year		32,278,158	35,608,138
Investments made during the period/year - related parties		150,000	290,049
Fair value loss during the period/year on:			
- Available-for-sale investments		(2,871,037)	(3,620,029)
Impairment loss on equity instruments of subsidiary	- note 9.1	(162,790)	-
Carrying value at the end of the period/year		29,394,331	32,278,158
Investments classified in current assets		(15,678,622)	(16,018,594)
		13,715,709	16,259,564

9.1 Impairment loss on equity instruments of subsidiary

The Company reviewed the carrying amount of its investment in equity instruments of Nishat Dairy (Private) Limited and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. As a result of carrying out the aforementioned assessment, the recoverable amount of the investment was determined to be lower than its carrying amount by Rs 0.60 per share and the carrying amount was accordingly reduced by Rs 162.790 million which has been recognised as an expense and included in 'Other expenses'.

10. Loan to related party

This represents loan to Nishat Hotels and Properties Limited that was originally repayable on October 30, 2018, however, its extension for one year was approved by the members of the Company in their Annual General Meeting held on October 28, 2018 as per the requirements of section 199 of the Act on the same terms except for change in mark-up rate from 3 months KIBOR + 0.5% to 1 month KIBOR + 0.5% per annum.

11. Cost of sales

	2018		2017	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)			
Raw and packing materials consumed	1,847,033	1,028,329	1,228,031	699,852
Salaries, wages and other benefits	1,584,261	830,166	1,047,293	504,203
Electricity and gas	2,323,804	1,147,319	1,031,421	521,315
Furnace oil and coal	7,934,444	4,041,041	4,472,498	2,494,458
Stores and spares consumed	1,557,924	953,523	850,362	435,876
Repair and maintenance	329,233	218,882	163,633	99,786
Insurance	44,560	22,280	27,812	14,528
Depreciation on operating fixed assets	1,680,274	517,991	978,278	490,793
Royalty	351,370	188,942	168,996	93,144
Excise duty	23,722	13,407	16,125	8,900
Vehicle running expenses	36,498	19,444	14,094	7,332
Postage, telephone and telegram	4,905	2,007	2,484	1,025
Printing and stationery	8,396	3,899	6,595	3,193
Legal and professional charges	2,927	2,199	1,219	481
Travelling and conveyance	6,696	4,034	3,504	2,077
Plant cleaning and gardening	15,380	9,031	17,538	11,785
Rent, rates and taxes	58,393	36,971	27,884	16,262
Freight charges	36,742	18,745	15,028	8,148
Other expenses	157,721	140,129	19,603	14,011
	18,004,283	9,198,339	10,092,398	5,427,169
Opening work-in-process	493,431	1,851,912	522,557	345,778
Closing work-in-process	(1,784,164)	(1,784,164)	(94,028)	(94,028)
	(1,290,733)	67,748	428,529	251,750
Cost of goods manufactured	16,713,550	9,266,087	10,520,927	5,678,919
Opening stock of finished goods	385,626	636,124	332,278	241,692
Closing stock of finished goods	(437,721)	(437,721)	(228,327)	(228,327)
	(52,095)	198,403	103,951	13,365
Own consumption	(79,034)	(30,597)	(111,128)	(50,766)
	16,582,421	9,433,893	10,513,750	5,641,518

12. 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. 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 2018 Un-audited	July to December 2017 Un-audited
		(Rupees in thousand)	
i. Subsidiary entities	Purchase of goods and services	956,689	764,634
	Rental income	464	429
	Dividend income	-	51,191
	Sale of goods	10,763	12,621
ii. Entities on the basis of common directorship	Insurance premium	2,892	1,338
	Sale of goods	69,773	32,961
	Mark-up income on balances with related parties	45,315	33,614
	Dividend income	27,229	62,453
	Dividends paid	14,273	25,188
iii. Investor	Sale of goods	37,346	59,524
	Dividend income	143,875	128,730
	Dividends paid	584,690	1,031,807
iv. Other related entities	Insurance premium	88,622	43,951
	Sale of goods	586	-
	Dividend income	847,316	838,223
	Dividends paid	971	1,714
	Purchase of goods and services	22,799	36,061
	Insurance claims received	1,531	-
v. Key management personnel	Salaries and other employment benefits	126,083	107,380
vi. Post employment benefit plans	Expense charged in respect of defined benefit plan (including capitalized)	65,470	44,064
	Expense charged in respect of defined contribution plan (including capitalized)	25,806	32,734

	December 31, 2018 Un-audited	June 30, 2018 audited
	(Rupees in thousand)	
Period/year end balances		
Payable to related parties		
Trade and other payables	320,194	327,510
Receivable from related parties		
Trade debts	46,132	6,516
Loan to related party	1,000,000	1,000,000
Loans, advances, deposits, prepayments and other receivables	41,594	5,937
	1,087,726	1,012,453

13. Cash generated from operations

	July to December, 2018 Un-audited	July to December, 2017 Un-audited
	(Rupees in thousand)	
Profit before tax	1,589,838	5,024,509
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	1,712,632	1,014,398
- Gain on disposal of operating fixed assets	(7,907)	(5,407)
- Dividend income	(1,020,385)	(1,085,456)
- Provision for retirement benefits	65,088	39,166
- Impairment of investment in equity instruments of subsidiary	162,789	-
- Mark-up income on loans and bank deposits	(49,699)	(36,437)
- Exchange loss	83,849	151,398
- Finance cost	1,348,148	192,644
- Gain on derivative financial instruments	-	(12,979)
Profit before working capital changes	3,884,353	5,281,836
Effect on cash flow due to working capital changes:		
- Increase in stores, spare parts and loose tools	(1,059,801)	(1,356,833)
- (Increase)/decrease in stock-in-trade	(1,336,458)	561,216
- Increase in trade debts	(1,135,044)	(106,695)
- Decrease in loans, advances, deposits, prepayments and other receivables	850,797	436,954
- Increase in trade and other payables	186,738	439,273
	(2,493,768)	(26,085)
	1,390,585	5,255,751

	December 31, 2018 Un-audited	December 31, 2017 Un-audited
	(Rupees in thousand)	

14. Cash and cash equivalents

Short term borrowings - secured	(14,389,357)	(8,819,839)
Cash and bank balances	580,836	1,621,516
	(13,808,521)	(7,198,323)

15. Financial risk management

15.1 Financial risk factors

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

The 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 Company's annual financial statements as at June 30, 2018.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2018.

15.2 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, 2018 and June 30, 2018 on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at December 31, 2018		(Rupees in thousand)		
Assets				
Investments - available-for-sale				
-Quoted equity instruments	25,256,666	-	-	25,256,666
-Unquoted equity instruments	-	-	1,746,680	1,746,680
	25,256,666	-	1,746,680	27,003,346
As at June 30, 2018				
Assets				
Investments - available-for-sale				
-Quoted equity instruments	26,332,214	-	-	26,332,214
-Unquoted equity instruments	-	-	3,392,170	3,392,170
	26,332,214	-	3,392,170	29,724,384

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, 2018.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and

- for other financial instruments - discounted cash flow analysis.

c) Fair value measurements using significant unobservable inputs

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

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

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

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

- Discount rate of 12.37%.

- Long term growth rate of 4% for computation of terminal value.

- Annual growth in costs and revenues is linked to inflation at 5.25% per annum.

The fair value/carrying amount of the investment in Hyundai Nishat Motors (Private) Limited is not material to the interim financial information and hence, the inputs used have not been disclosed.

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, 2018 would be Rs 360.884 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, 2018 would be Rs 195.722 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2018 would be Rs 20.680 million lower.

16. Summary of significant transactions and events

The Company's financial position and performance was particularly affected by the following events and transactions during the interim reporting period:
- repaid principal on long term finance aggregating Rs 697.833 million (refer to note 6.1);
- change in estimate of useful lives of operating fixed assets (refer to note 4);
- fair value loss recognized in respect of investment in Nishat Hotels and Properties Limited (refer to note 9.1);
- dividends paid amounting to Rs 1,851.419 million (refer to statement of cash flows); and
- deposited Rs 100 million in the "Diamer-Bhasha and Mohmand Dams Fund" created by the Supreme Court of Pakistan (refer to note 7.1).

17. Date of authorization for issue

This condensed interim financial information was authorized for issue on February 26, 2019 by the Board of Directors of the Company.

18. Event occurring after the reporting period

Subsequent to period end, owing to the attack in Pulwama in Indian Occupied Kashmir on February 14, 2019, exports to India have been suspended due to imposition of 200% custom duty by the Indian goverment on all imports from Pakistan. Company's export of cement to India during the period was 155,000 metric tonnes amounting to Rs 1,029.593 million and a similar quantity of exports was projected in the subsequent half year ending June 30, 2019, uptil the happening of the aforementioned incident.

19. Corresponding figures

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

Chief Executive	Chief Financial Officer	Director

Interim Consolidated Financial Statements

Consolidated Condensed Interim
Statement of Financial Position

	Note	31 December, 2018 Un-Audited	30 June, 2018 Audited
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2018: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2018: 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, 2018: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		32,189,326	34,722,352
Unappropriated profit		37,725,384	37,884,238
		74,295,901	76,987,781
Non-controling Interest		1,964,680	1,994,849
		76,260,581	78,982,630
NON-CURRENT LIABILITIES			
Long term finances - secured	5	18,490,566	18,330,324
Long term deposits		186,761	109,726
Deferred liabilities		309,038	278,379
Deferred taxation		3,845,407	4,299,861
		22,831,772	23,018,290
CURRENT LIABILITIES			
Trade and other payables		8,354,744	7,787,966
Accrued finance cost		592,371	370,028
Short term borrowings - secured		16,945,159	13,614,942
Loan from related party - unsecured	6	214,000	214,000
Current portion of non-current liabilities		4,428,836	2,364,410
Unclaimed dividend		39,138	28,347
Provision for taxation		35,090	35,090
		30,609,338	24,414,783
CONTINGENCIES AND COMMITMENTS	7		
		129,701,691	126,415,703

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Chief Executive

As At December 31, 2018 (Un-audited)

	Note	31 December, 2018 Un-Audited	30 June, 2018 Audited
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	81,499,453	80,582,245
Biological assets		599,295	636,403
Investments	9	11,323,165	13,859,552
Long term loans to employees		574	574
Long term loans and deposits		61,739	60,173
		93,484,226	95,138,947
CURRENT ASSETS			
Stores, spares and loose tools		6,373,789	5,272,192
Stock-in-trade		4,519,102	2,428,200
Trade debts		1,896,983	519,802
Short term investments	9	15,678,641	16,018,629
Loans, advances, deposits, prepayments and other receivables		2,083,352	2,824,034
Loan to related party	10	1,000,000	1,000,000
Income tax receivable		3,544,506	2,714,926
Cash and bank balances		1,121,092	498,973
		36,217,465	31,276,756
		129,701,691	126,415,703

Chief Financial Officer

Director

Consolidated Condensed Interim Statement of Profit or Loss
For the Quarter and Half Year Ended December 31, 2018 (Un-audited)

	Note	2018		2017	
		July to December	October to December	July to December	October to December
		(Rupees in thousand)		(Rupees in thousand)	
Sales		21,496,338	12,707,604	17,018,205	8,907,813
Cost of sales	11	(18,143,954)	(10,434,098)	(11,757,266)	(6,339,032)
Gross profit		3,352,384	2,273,506	5,260,939	2,568,781
Administrative expenses		(349,162)	(161,964)	(332,807)	(164,727)
Selling and distribution expenses		(660,967)	(477,048)	(470,210)	(232,486)
Other operating expenses		(533,905)	(450,284)	(595,130)	(313,803)
Other income		1,201,583	699,339	1,156,260	664,505
		3,009,933	1,883,549	5,019,052	2,522,270
Finance cost		(1,449,637)	(798,784)	(212,616)	(116,117)
Profit before taxation		1,560,296	1,084,765	4,806,436	2,406,153
Taxation		111,584	245,559	(1,340,289)	(1,673,324)
Profit after taxation		1,671,880	1,330,324	3,466,147	732,829
Attributable to :					
Equity holders of the parent		1,703,157	(1,076,825)	3,563,262	783,280
Non-controling interest		(31,277)	15,387	(97,115)	(50,451)
		1,671,880	(1,061,438)	3,466,147	732,829
Earnings per share					
(basic and diluted)	Rupees	3.82	3.04	7.91	1.67

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

Consolidated Condensed Interim Statement of Comprehensive Income
For the Quarter and Half Year Ended December 31, 2018 (Un-audited)

	2018		2017	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
Profit after taxation	1,671,880	1,330,324	3,466,147	732,829
Other comprehensive income / (loss) for the period				
Items that may be re-classified subsequently to profit or loss:				
Change in fair value of available-for-sale investments	(2,531,917)	(2,793,767)	3,924,201	2,662,748
	(2,531,917)	(2,793,767)	3,924,201	2,662,748
Items that will not be subsequently re-classified to profit or loss:	-	-	-	-
Other comprehensive income / (loss) for the period	(2,531,917)	(2,793,767)	3,924,201	2,662,748
Total comprehensive income for the period	(860,037)	(1,463,443)	7,390,348	3,395,577
Attributable to				
Equity holders of parent	(829,869)	(2,941,493)	8,348,322	5,312,832
Non-controling interest	(30,168)	16,496	(33,930)	12,132
	(860,037)	(2,924,997)	8,314,392	5,324,964

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

Consolidated Condensed Interim Cash Flow Statement
For the Half Year Ended December 31, 2018 (Un-audited)

	Note	2018 July to December	2017 July to December
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	899,797	5,120,617
Finance cost paid		(1,227,294)	(173,802)
Retirement and other benefits paid		(34,820)	(27,519)
Taxes paid		(835,796)	(834,223)
Long term deposits - net		77,035	8,155
Net cash (used in)/generated from operating activities		(1,121,078)	4,093,228
Cash flows from investing activities			
Fixed capital expenditure		(2,785,969)	(7,704,338)
Proceeds from disposal of property, plant and equipment		25,927	37,062
Proceeds from disposal of biological assets		(18,082)	32,387
Loan to related party		-	-
Investments made - net		(155,003)	(172,614)
Long term loans, advances and deposits - net		(1,566)	(380)
Interest received		45,688	35,450
Dividends received		1,025,848	1,040,304
Net cash used in investing activities		(1,863,157)	(6,732,129)
Cash flows from financing activities			
Repayment of long term finances		(725,333)	(293,125)
Loan from related party		-	45,000
Proceeds from long term finances		2,950,000	6,884,000
Settlement of derivative financial instrument		-	(35,077)
Dividends paid to:			
- Non controlling interests		-	(41,883)
- Owners of the parent		(1,851,220)	(3,285,893)
Net cash generated from financing activities		373,447	3,273,022
Net (decrease)/increase in cash and cash equivalents		(2,610,788)	634,121
Cash and cash equivalents at the beginning of the period		(13,115,969)	(8,164,282)
Exchange loss on cash and cash equivalents		(97,310)	(112,236)
Cash and cash equivalents at the end of the period	14	(15,824,067)	(7,642,397)

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

Consolidated Condensed Interim Statement of Changes In Equity
For the Half Year Ended December 31, 2018 (Un-audited)

Rupees in thousands			Capital reserve					Revenue reserve	
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Unappropriated profit	Total equity attributable to shareholders of parent company	Non-controlling interest	Total
Balance as at June 30, 2017 - Audited	4,381,191	4,557,163	27,957,495	353,510	5,110,851	32,333,597	74,693,807	1,971,423	76,665,230
Total comprehensive income for the period									
- Profit/(loss) for the period	-	-	-	-	-	3,563,262	3,563,262	(97,115)	3,466,147
- Other comprehensive (loss)/income for the period	-	-	(536,323)	-	-	-	(536,323)	1,853	(534,470)
	-	-	(536,323)	-	-	3,563,262	3,026,939	(95,262)	2,931,677
Transactions with owners in their capacity as owners:									
- Final dividend for the year ended June 30, 2017	-	-	-	-	-	(3,285,893)	(3,285,893)	(41,883)	(3,327,776)
Balance as at December 31, 2017 - Unaudited	4,381,191	4,557,163	27,421,172	353,510	5,110,851	32,610,966	74,434,853	1,834,278	76,269,131
Balance as at June 30, 2018 - Audited	4,381,191	4,557,163	24,700,828	353,510	5,110,851	37,884,238	76,987,781	1,994,849	78,982,630
Total comprehensive income for the period									
- Profit/(loss) for the period	-	-	-	-	-	1,703,157	1,703,157	(31,277)	1,671,880
- Other comprehensive (loss)/income for the period	-	-	(2,533,027)	-	-	-	(2,533,029)	1,109	(2,531,920)
	-	-	(2,533,027)	-	-	1,703,157	(829,870)	(30,168)	(860,038)
Transactions with owners in their capacity as owners:									
- Final dividend for the year ended June 30, 2018	-	-	-	-	-	(1,862,011)	(1,862,011)	-	(1,862,011)
Balance as at December 31, 2018 - Unaudited	4,381,191	4,557,163	22,167,801	353,510	5,110,851	37,725,384	74,295,900	1,964,681	76,260,581

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

Notes to and Forming Part of the Condensed Interim Consolidated Financial
For the Quarter and Half Year Ended December 31, 2018 (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
- Nishat Farm Supplies (Private) Limited.

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 Companies Act, 2017). The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The Company is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. It has four cement plants, two plants located at Dera Ghazi Khan ('D.G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub').

Nishat Paper Products Company Limited is a public limited company incorporated in Pakistan. It is principally engaged in the manufacture and sale of paper products and packaging material (hereinafter referred to as the 'Paper segment').

Nishat Dairy (Private) Limited is a private limited company incorporated in Pakistan. It is principally engaged in the business of production and sale of raw milk (hereinafter referred to as the 'Dairy segment').

Nishat Farm Supplies (Private) Limited is a private limited company incorporated in Pakistan. It is a wholly owned subsidiary of Nishat Dairy (Private) Limited. The principal activity of the company is to carry on the business of sale, marketing and distribution of imported chemicals, medicines, vaccines, cows, other chemicals of all kinds and types (hereinafter referred to as the 'Farm Supplies segment').

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

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

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

This condensed interim financial information does 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, 2018. 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.

The Group is required to issue condensed interim consolidated financial information along with its condensed interim separate financial information in accordance with the requirements of accounting and reporting standards as applicable in Pakistan.

3. Significant accounting policies

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2018 except for the adoption of new and amended standards as set out below:

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018, 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 this condensed interim financial information, except for IFRS 15, 'Revenue from Contracts with Customers'. The impact of the adoption of this standard and new accounting policy is disclosed in note 3.4 below.

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

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequent to reporting date, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the Group has not adopted this standard in the preparation of this condensed interim financial information for the half year ended December 31, 2018.

This standard replaces the guidance in IAS 39, 'Financial Instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. As allowed above, the Group will apply this standard in the preparation of its financial statements for the year ending June 30, 2019 and it is yet to assess the full impact of this standard.

Further, the following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on July 1, 2019, and the Company has not early adopted them:

	Effective date (accounting periods beginning on or after)
IFRS 16 'Leases'	01-Jan-19
IFRIC 23 'Uncertainty over income tax treatments'	01-Jan-19

The Group will apply these standards/interpretations to standards from their respective effective dates and has yet to assess the impact of these amendments on its financial statements.

3.4 New accounting policy and impact thereof

3.4.1 IFRS 15, 'Revenue from Contracts with Customers'

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 01, 2018 or later periods, and the Group has not early adopted them:

New accounting policy

Revenue from sale of goods is recognised when the when the Group satisfies a performance obligation by transferring a promised good or service to a customer.

For cement segment:

In case of local sales, revenue is recognised at the time of despatch from the factory.

In case of export sales of the segment, the delivery of cement/clinker and transportation are two distinct performance obligations and the total transaction price is allocated to each performance obligation. Revenue relating to each performance obligation is recognized on satisfaction of each distinct performance obligation.

Return on deposits is accrued on a time proportionate basis by reference to the principal outstanding and the applicable rate of return.

Dividend income on equity investments is recognised as income when the right of receipt is established.

For paper segment:

Revenue from the sale of goods is recognised at the time of despatch from the factory.

For Dairy Segment:

Revenue is recognised at the time of despatch of goods.

Mark-up on deposits with banks or interest-bearing balances with parties are accrued on a time proportion basis by reference to the principal outstanding and rates applicable thereon.

Impact of adoption

The Group has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition policy of the Group and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is not material and hence, has not been accounted for.

3.5 Significant accounting estimates, judgements and financial risk:

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

In preparing this condensed interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2018, with the exception of changes in estimates of useful lives of operating fixed assets of D. G. Khan Cement Company Limited as referred to in Note 3.4 and those that are required in determining the provision for income taxes as referred to in note 4 and.

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

3.6 Change in accounting estimate

During the period, the Group carried out a comprehensive review of the remaining useful lives of the cement segment's operating fixed assets and as a result of such review, management identified that plant and machinery, factory buildings and quarry equipment require an upward revision whereas furniture and fittings and office equipment require a downward revision in their useful lives. Hence, the remaining useful lives of plant and machinery, factory buildings and quarry equipment have been increased while useful lives of furniture and fittings and office equipment have been decreased. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Had there been no change in the accounting estimate, the profit before tax for the half year ended December 31, 2018 would have been lower by Rs 987.873 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, future profits before tax would decrease by Rs 987.873 million.

4. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

		December 31, 2018 Un-audited	June 30, 2018 audited
		(Rupees in thousand)	
5. Long term finances - secured			
Long term loans - secured	- note 5.1	22,892,638	20,667,971
Current portion shown under current liabilities		(4,402,072)	(2,337,647)
		18,490,566	18,330,324
5.1 Long term loans - secured			
Opening balance		20,667,971	13,133,750
Disbursements		2,950,000	8,453,805
Repayments during the year		(725,333)	(919,584)
		22,892,638	20,667,971
Current portion shown under current liabilities		(4,402,072)	(2,337,647)
		18,490,566	18,330,324

6. Loan from related party - unsecured

This represents unsecured and interest free loan provided by the three directors of the Dairy Segment. The loan amount shall be payable within one year from the execution date.

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Group for the year ended June 30, 2018 except for except for the matter disclosed in note 16.1.7 to the previous annual financial statements, which is mentioned below:

The cement segment made alternate arrangements of water for its Khairpur plant and hence, the Honourable Supreme Court of Pakistan disposed of the matter through its order dated November 19, 2018 (further amended through its order dated January 10, 2019) wherein it directed the Company to contribute Rs 100 million to the "Diamer-Bhasha and Mohmand Dams Fund" which the Company has deposited during the period.

7.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs. 965.814 million (June 30, 2018: Rs 224.277 million)

(ii) Letters of credits for capital expenditure Rs 2,164.237 million (June 30, 2018: Rs 235.266 million)

(iii) Letters of credit other than capital expenditure Rs 3,083.254 million (June 30, 2018: Rs 3,685.854 million)

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	December 31, 2018 Un-audited	June 30, 2018 audited
	(Rupees in thousand)	
Not later than one year	425	331
Later than one year and not later than five years	1,699	1,325
Later than five years	5,333	4,307
	7,457	5,963

8. Property, plant and equipment

		December 31, 2018	June 30, 2018
Operating assets	- note 8.1	76,394,265	77,509,420
Capital work-in-progress	- note 8.2	4,740,462	2,981,059
Major spare parts and stand-by equipment		364,726	91,766
		81,499,453	80,582,245

8.1 Operating fixed assets

		December 31, 2018	June 30, 2018
Opening book value		77,509,420	34,336,559
Additions during the period/year	- note 8.1.1	753,606	47,234,857
Disposals during the period/year - at book value		(20,871)	(222,769)
Impairment charged during the period/year		-	(1,270,120)
Depreciation charged during the period /year		(1,847,890)	(2,569,107)
		(1,868,761)	(4,061,996)
Closing book value		76,394,265	77,509,420

	December 31, 2018 Un-audited	June 30, 2018 audited
	(Rupees in thousand)	

8.1.1 Additions during the period / year

Freehold land	22,234	202,663
Building on free hold land:		
- Factory buildings	2,680	12,270,389
- Office building and housing colony	-	1,411,901
Roads	1,539	827,897
Plant and machinery	160,994	27,447,033
Factory and quarry equipment	324,652	1,886,974
Furniture and fittings and office equipment	93,160	184,858
Vehicles	145,621	153,892
Power and water supply lines	2,726	2,849,250
	753,606	47,234,857

8.2 Capital work-in-progress

Civil works	729,904	224,683
Plant and machinery	976,438	761,287
Advances for capital expenditure	226,528	17,565
Unallocated expenditure	-	1,585
Expansion project:		
-Civil works	1,521,238	496,086
-Plant and machinery	521,854	304,763
- Advances to suppliers and contractors	678,620	1,175,090
-Others	85,880	-
	2,807,592	1,975,939
	4,740,462	2,981,059

9. Investments

Carrying value of investments at the beginning of the period / year	29,878,181	33,170,223
Investments made during the period / year		
- Related parties	155,003	335,204
- Others	-	-
	155,003	335,204
Fair value (loss)/gain during the period/year on:		
- Available for sale investments	(2,869,378)	(3,627,246)
Impairment recorded during the period	(162,000)	-
- Investments disposed off during the period/year	-	-
Carrying value at the end of the period / year	27,001,806	29,878,181

10. Loan to related party

This represents loan to Nishat Hotels and Properties Limited that was originally repayable on October 30, 2018, however, its extension for one year was approved by the members of the Group in their Annual General Meeting held on October 28, 2018 as per the requirements of section 199 of the Act on the same terms except for change in mark-up rate from 3 months KIBOR + 0.5% to 1 month KIBOR + 0.5% per annum.

11. Cost of sales

	2018		2017	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)			
Raw and packing materials consumed	1,847,033	885,227	1,671,792	992,811
Forage	498,968	260,559	440,388	224,045
Medicine and related items	44,508	21,524	44,329	22,113
Salaries, wages and other benefits	1,633,386	840,607	1,115,304	535,945
Electricity and gas	2,393,157	1,169,634	1,031,421	477,577
Furnace oil and coal	7,934,444	4,041,041	4,543,876	2,565,836
Stores and spares consumed	1,558,628	949,417	861,348	442,989
Repair and maintenance	347,713	224,739	187,087	110,439
Insurance	45,602	22,819	29,248	15,301
Depreciation on operating fixed assets	1,813,086	584,395	1,106,982	555,683
Royalty	351,370	188,942	168,996	93,144
Excise duty	23,722	13,407	16,125	8,900
Vehicle running expenses	36,498	19,138	14,491	7,499
Postage, telephone and telegram	4,905	1,997	2,503	1,038
Printing and stationery	8,396	3,899	6,600	3,198
Legal and professional charges	2,927	2,099	1,319	581
Travelling and conveyance	6,696	4,034	3,506	2,079
Plant cleaning and gardening expense	15,380	9,031	17,538	11,785
Rent, rates and taxes	58,393	36,971	28,303	16,681
Freight charges	36,742	18,637	15,062	8,166
Other expenses	930,973	895,467	67,196	43,020
	19,592,527	10,193,584	11,373,414	6,138,830
Opening work-in-process	493,431	1,851,912	522,557	345,778
Closing work-in-process	(1,784,164)	(1,784,164)	(94,028)	(94,028)
	(1,290,733)	67,748	428,529	251,750
Cost of goods manufactured	18,301,794	10,261,332	11,801,943	6,390,580
Opening stock of finished goods	535,499	817,668	431,356	364,123
Closing stock of finished goods	(614,199)	(614,199)	(364,904)	(364,904)
	(78,700)	203,469	66,452	(781)
Less: Own consumption capitalized	(79,140)	(30,703)	(111,129)	(50,767)
	18,143,954	10,434,098	11,757,266	6,339,032

12. 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. The Group in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Group	Nature of transaction	July to December 2018 Un-audited	July to December 2017 Un-audited
		(Rupees in thousand)	
i. Entities on the basis of common directorship	Insurance premium	3,542	1,984
	Sale of goods	69,773	32,961
	Sale of assets	-	9,900
	Purchase of assets	-	2,200
	Purchase of goods and services	32,067	-
	Mark-up income on balances with related parties	45,315	33,614
	Dividend income	27,229	62,453
	Dividends paid	14,273	25,188
ii. Investor	Sale of goods	37,346	59,524
	Dividend income	143,875	128,730
	Dividends paid	584,690	1,031,807
iii. Other related entities	Insurance premium	92,193	50,072
	Sale of goods	586	-
	Dividend income	847,316	841,025
	Dividends paid	971	43,597
	Purchase of goods and services	22,799	36,061
	Purchase of assets	-	972
	Insurance claims received	1,531	-
iv. Key management personnel	Salaries and other employment benefits	126,083	107,380
v. Post employment benefit plans	Expense charged in respect of defined benefit plan (including capitalized)	65,470	46,485
	Expense charged in respect of defined contribution plan (including capitalized)	35,857	37,287

	December 31, 2018 Un-audited	June 30, 2018 audited
	(Rupees in thousand)	
Period/year end balances		
Payable to related parties		
Long term deposits	325	325
Trade and other payables	29,874	19,010
	30,199	19,335
Receivable from related parties		
Trade debts	46,128	6,418
Loan to related party	1,000,000	1,000,000
Loans, advances, deposits, prepayments and other receivables	41,594	5,937
Bank Balance	9,259	-
	1,096,981	1,012,355

13. Cash generated from operations

	July to December, 2018 Un-audited	July to December, 2017 Un-audited
	(Rupees in thousand)	
Profit before tax	1,560,296	4,806,436
Adjustments for :		
- Depreciation on operating fixed assets	1,847,890	1,145,802
- Profit on disposal of operating fixed assets	(5,056)	(6,164)
- Loss on disposal of biological assets	55,190	114,107
- Mark-up income on loans and bank deposits	(49,699)	(36,437)
- Dividend income	(1,026,741)	(1,040,304)
- Retirement and other benefits accrued	65,088	39,166
- Exchange loss - net	120,690	151,398
- Finance cost	1,449,637	212,616
- Gain on derivative financial instruments	-	(12,979)
Profit before working capital changes	4,017,295	5,373,641
Effect on cash flow due to working capital changes:		
- Increase in stores, spares and loose tools	(1,101,597)	(1,352,060)
- (Increase)/decrease in stock-in-trade	(2,090,902)	478,784
-Impairment recorded during the period	162,000	-
- Increase in trade debts	(1,341,544)	(141,038)
- Decrease in loans, advances, deposits, prepayments and other receivables	745,586	361,168
- Increase in trade and other payables	508,959	400,122
	(3,117,498)	(253,024)
Cash generated from operations	899,797	5,120,617

	December 31, 2018 Un-audited	December 31, 2017 Un-audited
	(Rupees in thousand)	

14. Cash and cash equivalents

Short term borrowings - secured	(16,945,159)	(9,306,737)
Cash and bank balances	1,121,092	1,664,340
	(15,824,067)	(7,642,397)

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, fair value interest rate risk, cash flow interest rate risk and 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, 2018.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2018.

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, 2018 and June 30, 2018 on a recurring basis:

As at December 31, 2018	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Assets				
Investment - At fair value through profit or loss	-	-	-	-
Investments - Available for sale				
-Quoted equity instruments	25,417,917	-	-	25,417,917
-Unquoted equity instruments	-	-	1,746,680	1,746,680
Biological assets	-	-	599,295	599,295
Total assets	25,417,917	-	2,345,975	27,763,892

As at June 30, 2018	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Assets				
Investment - At fair value through profit or loss	35	-	-	35
Investments - Available for sale				
-Quoted equity instruments	26,485,976	-	-	26,485,976
-Unquoted equity instruments	-	-	3,392,170	3,392,170
Biological assets	-	-	636,403	636,403
Total assets	26,486,011	-	4,028,573	30,514,584

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, 2018.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and

- for other financial instruments - discounted cash flow analysis.

c) Fair value measurements using significant unobservable inputs

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

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

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

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

- Discount rate of 12.37%.

- Long term growth rate of 4% for computation of terminal value.

- Annual growth in costs and revenues is linked to inflation at 5.25% per annum.

The fair value/carrying amount of the investment in Hyundai Nishat Motors (Private) Limited is not material to the interim financial information and hence, the inputs used have not been disclosed.

The main level 3 inputs used by the Group to determine fair value of biological assets are derived and evaluated as follows:

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2018. Level 3 fair value of Biological assets has been determined using a replacement cost approach, whereby, current cost of similar dairy cattle in the international market has been adjusted for transportation costs to arrive at fair value. 'The international market prices of similar dairy cattle, when these increase the fair value increases. The fair value is also dependent on the age of the cattle. The fair value increases as the cows mature. This value decreases as cows age and go through lactations.

Fair value sensitivity analysis

For biological assets

If the fair value of biological assets , at the period end date fluctuates by 1% higher/lower with all other variables held constant, pre tax loss for the period would have been Rs 5.992 million (June, 2018: Rs 6.364) lower/higher mainly as a result of lower/higher fair value loss on biological assets.

For NHPL ('Nishat Hotels and Properties Limited')

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, 2018 would be Rs 360.884 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, 2018 would be Rs 195.722 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2018 would be Rs 20.680 million lower.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

16. Summary of significant transactions and events

The Group's financial position and performance was particularly affected by the following events and transactions during the interim reporting period:

- repaid principal on long term finance aggregating Rs 725.33 million (refer to note 5.1);

- change in estimate of useful lives of operating fixed assets (refer to note 3.4);

- fair value loss recognized in respect of investment in Nishat Hotels and Properties Limited (refer to note 9.1);

- dividends paid amounting to Rs 1,851.419 million (refer to statement of cash flows); and

- deposited Rs 100 million in the "Diamer-Bhasha and Mohmand Dams Fund" created by the Supreme Court of Pakistan (refer to note 7.1).

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 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.

July 1 to December 31

Rupees in thousands	Cement		Paper		Dairy/Farm		Elimination - net		Consolidated	
	July to December 2018 un-audited	July to December 2017 un-audited	July to December 2018 un-audited	July to December 2017 un-audited	July to December 2018 un-audited	July to December 2017 un-audited	July to December 2018 un-audited	July to December 2017 un-audited	July to December 2018 un-audited	July to December 2017 un-audited
Revenue from										
- External Customers	19,767,101	15,763,004	1,035,971	658,431	693,269	596,772	(3)	(2)	21,496,338	17,018,205
- Inter-group	104	666	956,689	653,534	-	-	(654,200)	(654,200)	-	-
	19,767,205	15,763,670	1,992,660	1,311,965	693,269	596,772	(654,203)	(654,202)	21,496,338	17,018,205
Segment gross profit/(loss)	3,184,784	5,249,920	300,819	187,431	(118,877)	(159,743)	(14,342)	(16,669)	3,352,384	5,260,939
Segment expenses	(1,391,430)	(1,225,612)	(61,597)	(27,583)	(91,008)	(144,953)	1	1	(1,544,034)	(1,398,147)
Other income	1,144,631	1,192,845	8,443	9,491	4,895	5,543	43,614	(51,619)	1,201,583	1,156,260
Financial charges	(1,348,148)	(192,644)	(98,922)	(19,431)	(2,567)	(540)	-	(1)	(1,449,637)	(212,616)
Taxation	151,951	(1,290,654)	(35,131)	(49,635)	(5,236)	-	-	-	111,584	(1,340,289)
Profit after taxation	1,741,788	3,733,855	113,612	100,273	(212,793)	(299,693)	29,273	(68,288)	1,671,880	3,466,147
Depreciation	1,712,632	1,014,398	90,352	22,421	30,101	97,702	14,805	11,281	1,847,890	1,145,802
Capital expenditure	(2,764,272)	(7,655,023)	(21,198)	(4,011)	(499)	(49,279)	-	3,975	(2,785,969)	(7,704,338)
Cash to operations	(292,361)	4,385,236	(75,974)	(184,948)	(723,141)	(101,981)	(29,602)	(5,079)	(1,121,078)	4,093,228
Cash from investing	(1,829,232)	(6,635,005)	9,991	(43,126)	853	(7,886)	(44,769)	(46,112)	(1,863,157)	(6,732,129)
Rupees in thousands	31.12.2018 unaudited	30.06.2018 audited	31.12.2018 unaudited	30.06.2018 audited	31.12.2018 unaudited	30.06.2018 audited	31.12.2018 unaudited	30.06.2018 audited	31.12.2018 unaudited	30.06.2018 audited
Segment assets	123,500,014	121,889,015	5,387,153	3,819,137	3,037,134	3,133,181	(2,222,610)	(2,425,630)	129,701,691	126,415,703
Segment liabilities	49,020,199	44,754,598	3,933,690	2,481,688	590,526	517,857	(103,305)	(321,070)	53,441,110	47,433,073

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 for issue

This consolidated condensed interim financial information was authorized for issue on February 26, 2019 by the Board of Directors of the of the Parent Company.

19 Event occurring after the reporting period

Subsequent to period end, owing to the attack in Pulwama in Indian Occupied Kashmir on February 14, 2019, exports to India have been suspended due to imposition of 200% custom duty by the Indian goverment on all imports from Pakistan. Cement segment's export of cement to India during the period was 155,000 metric tonnes amounting to Rs 1,029.593 million and a similar quantity of exports was projected in the subsequent half year ending June 30, 2019, uptil the happening of the aforementioned incident.

20. Corresponding figures

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

Chief Executive	Chief Financial Officer	Director

D.G. KHAN CEMENT COMPANY LIMITED
Nishat House, 53-A, Lawrence Road, Lahore-Pakistan.
UAN: +92-42-111-11-33-33

VERSATILE Ph: +92 42 3712 1920