Annual Report

2022

NISHAT

DG CEMENT

D.G. KHAN CEMENT
COMPANY LIMITED

DG
CEMENT

About DGKC Report, Scope and its Boundaries

The Report is structured to assist our readers in assessing our business by providing information about the state of affairs, performance, and the outlook of DGKC. It fairly addresses the material matters pertaining to the long-term sustainability of the Company and its integrated performance.

This report has been prepared under Integrated Reporting (IR) Framework and has been divided into different chapters namely:

- Organizational overview and external/internal environment
- Strategy and resources allocation
- Risks and opportunities
- Corporate social responsibilities and sustainability
- Governance
- Stakeholders' relationship and engagement
- Analysis of the financial information
- Financial statements

This Report comprises of strategic and operational review by the Board of Directors which encompasses financial reviews and analyses, an overview of governance, risk management, and business outlook. The report covers the organizational structure and environment in which it operates, a value-creating business model supported by the outputs, outcomes, and impacts of various forms of capital associated with business activities supported by strategies to deal with the challenges and achieve our vision. The corporate social responsibility and Sustainability section of the report aims to provide our stakeholders a concise and transparent assessment of our value creation ability and contribution toward Sustainable Development Goals (SDGs) and society being a social corporate citizen.

The Governance portion of this annual report undoubtedly depicts our compliance with legal corporate governance practices, IT governance, statement on Integrated Reporting Framework, policies in a controlled environment, and other necessary information to cater needs of stakeholders.

Financial analysis, business performance, and future outlook are the main heart of this annual report that covers top management's reviews of the overall industry, the company's current position and plans for future growth, in-depth financial analysis, and graphs resulting in a piece of visually appealing information.

The report ends with an auditor's report and a complete financial statement prepared in accordance with the applicable finical reporting framework

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CCR & MANAGEMENT BLO

Organizational Overview and External / Internal Environment

Vision

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

Mission

To provide quality products to customers and explore new markets to promote/expand sales of the Company through good governance and foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company.

Code of Conduct

DG Khan Cement Company Limited continues to hold in high esteem the best practices of corporate governance and believes in widely propagating its values and ethics for strict adherence by all employees, contractors, suppliers and others while doing business for the Company. The Company's commitment to encouraging ethical and responsible practices is demonstrated by the fact that DG Khan Cement Company Limited had a comprehensive Code of Conduct in place well before the introduction of the Stock Exchange requirement.

Salient Features of Code of Conduct

Compliance Officer: The Company has designated Company Secretary/ HR department respectively, as its Compliance Officer to administer this Code.

Compliance with Law: Directors/Employees must comply with all of the laws, rules, and regulations of Pakistan and other countries applicable to either Company or its business.

Conflict of Interest: Any director/employee who becomes aware of a conflict or potential conflict of interest is expected to bring it to the attention of the Chairman of the Board or the Compliance Officer/ HR department.

Confidentiality: All directors/employees must maintain the confidentiality of confidential information entrusted to them by either Company, except when the applicable Company authorizes disclosure or disclosure is required by laws, regulations, or legal proceedings.

Fair Dealing: Each director/employee is expected to deal fairly with the respective customer of the Company, suppliers, competitors, officers, and employees.

Protection and Paper Use of Company Assets: All directors/employees are expected to exercise their business judgment in a manner that protects the assets of the Company and promotes their efficient use.

Reporting Any Illegal or Unethical Behaviour: Every director/employee of the Company is encouraged to promptly contact the Chairman of the Board or the Compliance Officer/ HR department if he or she has observed a violation of this Code, illegal or unethical behaviour.

Public Company Reporting: The Company expects directors/employees to provide prompt and accurate answers to enquiries relating to its public disclosure requirements.

Disclosure of Interest: Directors/Employees are also required to disclose their interest, at the time of appointment and on an annual basis the directorships and/or memberships they hold in other companies.

Insider Trading: No director/employee shall, directly or indirectly, deal in the shares of the Company in any manner during the Closed Period prior to the announcement of financial results.

Amendment, Modification and Waiver: This Code may be amended, modified or waived only by the Company's Board of Directors and must be publicly disclosed if required by any applicable law or regulation. As a general Policy, the Board will not grant waivers to the Code.

(Approved code of conduct for directors and employees are shown on webside in detail)

Culture

- **P** Positive contribution and commitment
- **R** Respect for self and others
- **I** Integrity in actions and decisions
- **D** Drive to continuously improve
- **E** Excellence in everything we do

People at DGKC believe in shared values and goals. All team members collaborate, share knowledge, communicate and support one another. They believe that any result positive or not is an outcome of their collaborative efforts. With this belief inculcated as DG culture, every member of the team positively contributes and selflessly commits for the cause of the team and the organisation; has self-belief and respect for himself and for others; imbibes integrity and passion in all his actions and decisions; has tremendous drive and zeal to continuously improve and seeks to achieve excellence in all its actions. This collaborative team spirit at DGKC has resulted in continuous improvement and made us stay at the top. Our culture is built on the strong pillar of **'Together We Perform. Together We Achieve. Together We Grow'.**

Ethics and Values

INSPIRING, MOTIVATING & COMPELLING

We're ambitious and innovative. We get excited about our work. We bring energy and imagination to our work in order to achieve a level of performance, not achieved before. We achieve a higher standard of excellence.

ACCOUNTABILITY AND KEEP PROMISES

We are accountable for providing quality products & excellent services along with meeting the strict requirements of regulatory standards and ethical business practices.

Everything we do, should work perfectly. We maintain integrity & excellence. We believe in actions, not in words.

BE RESPECTFUL

We respect our customers, shareholders & others stakeholders and want to fulfil their needs. We always appreciate comments & suggestions from our stakeholders.

COMPETENCE

We can see things from different perspectives; we are open to change and not bounded by how we have done things in the past. We can respond rapidly and adjust our mode of operation to meet stakeholders' needs and achieve our goals.

COMMITMENT

Shareholders – Create sustainable economic value for our shareholders by utilizing an honest and efficient business methodology.

Community – Committed to serve the society through employment creation, support community projects & events, and be a responsible corporate citizen.

Customers – Render service to our customers by using state-of-the-art technology, offering diversified products and aspiring to fulfil their needs to the best of our abilities.

Employees – Be reliant on the inherent merit of the employees and honour our relationships. Work together to celebrate and reward the unique backgrounds, viewpoints, skills, and talents of everyone at the work place, at each level.

Company Information

Board of Directors

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

Female Director 01
Male Directors 06

Audit Committee

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

Human Resource & Remuneration Committee

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

Management

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

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

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

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Important Identification Numbers of Company

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

Company Products

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

HS Code

Clinker: 2523.1000 Cement: 2523.2900

Applicable Laws & Regulations

Many laws and regulations apply to the Company including:

- The Companies Act
- Stock Exchange Regulations
- Code of Corporate Governance
- International Accounting and Financial Reporting Standards
- International Auditing Standards
- Income Tax Law
- Sales Tax Law
- Excise Laws
- Property Laws
- Labour Laws
- Health & Safety Laws
- Environmental Laws
- Banking Regulations, etc.

Company Rating

Long Term: AA -
Outlook: Stable
Rating Date: March 04, 2022
Short Term: A1+
Rating Agency: PACRA

Registered Office

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

Factories

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
Plot No. 32-C, Jami Commercial
Street No. 2, DHA Phase_VII,
Karachi 75500.
UAN: 021 111 000 322
Tel: 021 353 10 191,
Fax: 021 353 10 190

Branch Office, Lahore
Office No. 309, 3rd Floor,
North Tower, LSE Building,
19 Shahrah-e-Aiwan-e-Iqbal,
Lahore
Phone: +92 42 3630 2044

For Investors' Information, Comments, Inquiries, Complaints

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

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

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

Principal Business Activities

D.G. Khan Cement Company Limited (DGKC/ the Company) is a public limited company incorporated in Pakistan on 27-09-1978 as limited liability company under Company law in Islamic Republic of Pakistan. It is listed on Pakistan Stock Exchange. It is a blue-chip stock. The Company is created and governed by its statutory documents, Memorandum and Articles of Association, registered with country corporate authority.

The Company is primarily engaged in production and sale of Clinker and Cement with more than 1,900+ regular employees. As at June 30, 2022; total market capitalization was about Rs 27 billion (about 6.7% of the total market capitalization of cement sector in Pakistan). Total market share of the company (local and export) is about 12%.

Key Brands and Product Features

KEY PRODUCTS:

- ORDINARY PORTLAND CEMENT
- SULPHATE RESISTANT CEMENT
- CLINKER

KEY BRANDS:

- DG CEMENT
- ELEPHANT CEMENT
- HATHI CEMENT
- BLOCK CEMENT

QUALITY STANDARDS

OPC
PS 232:2008(R) Grade 43
PS 232:2008(R) Grade 53
PS 232:2015 CEMI Class 42.5N
Compliance with:
American Standard: ASTM C-150 Type I
British Standard: BS 12:1996
European Standard: EN 197-1/2000 CEMI 42.5 N/R
Indian Standard: IS No. 269:2015 Grade 53
Sri Lankan Standard: SL 107:2015 Strength Class 42.5N

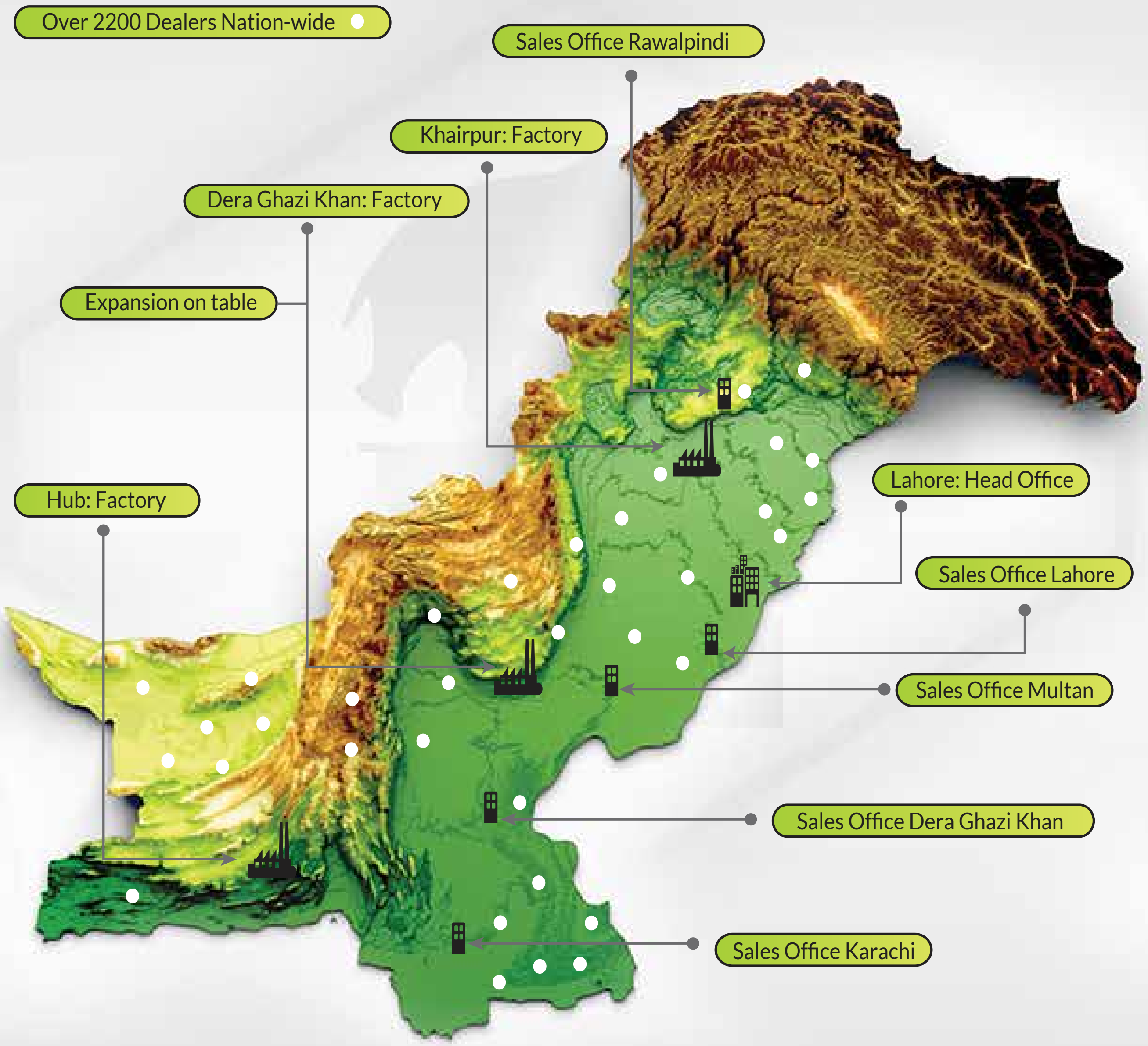
SRC
PS 612-2014 Class 42.5N
Compliance with:
American Standard: ASTM C-150 Type V
European Standard: BS/EN 197-1/2011 CEMI SR5, Class 42.5N

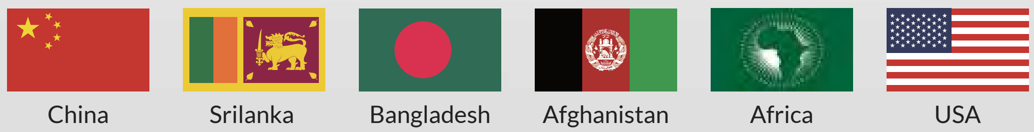
ISO Certifications
ISO-9001-2015
ISO-14001-2015

Local & International Markets

DGKC has strong presence in all over Pakistan. With its plants stretched from North to Center to South, DGKC covers market in far reach areas of Pakistan through extensive dealership network of over 2,200 dealers.

DGKC also enjoys notable presence in foreign markets including Bangladesh, Afghanistan, USA, China, Srilanka and other parts of central Africa. The Company is also trying to find new export markets through its HUB plant close to the port.





Production Facilities

PLANT MAKE

Description	Site	Manufacturer	Capacity	Year Installed
Cement Plant (line-1)	DGK	UBE Industries, Japan	2,000 tpd	1986
Cement Plant (line-1)	DGK	FLSmidth, Denmark	200 tpd	1994
Cement Plant (line-2)	DGK	FLSmidth, Denmark	4,000 tpd	1998/2005
Cement Plant (line-1)	DGK	FLSmidth, Denmark	500 tpd	2005
Cement Plant	KHP	FLSmidth, Denmark	6,700 tpd	2007
Kiln	HUB	FLSmidth, Denmark	9,000 tpd	2018
Mills	HUB	Loesche GMBH, Germeny		2018
Pack House	HUB	Haver & Boecker, Germeny		2018
Captive Power Plant**	HUB	Niigata, Japan		
Captive Power Plant	DGK	Wartsila, Finland		
Captive Power Plant	KHP	Wartsila, Finland		
Coal Fired Power Plant	DGK	Sinoma, China	30 MW	2016
WHR Plant	DGK	Nanjing Turbine Electricity Machinery Group Company	10.4 MW	2010
WHR Plant	KHP	FLSmidth, Denmark	12 MW	2020
RDF Plant	KHP	Vecoplan, Germany & Elden , Germany		
RDF Plant	DGK	Vecoplan, Germany & Elden , Germany		
WHR Plant	HUB	Sinoma, China	10 MW	2021
Coal Fired Power Plant	HUB	Sinoma, China	30 MW	Sep, 2021

PLANT CAPACITIES

Factory	Clinker (Tons per day)	Clinker (Tons per annum)
Dera Ghazi Khan	6,700	2,010,000
Khairpur	6,700	2,010,000
Hub	9,000	2,700,000
Total	**22,400**	**6,720,000**

IMPORTANT MACHINERIES' CAPACITIES

Machinery	DGK	KHP	HUB	TOTAL
Limestone Crusher	1125 tph	1500 tph	1350 tph	3975 tph
Raw Mill	490 tph	500 tph	654 tph	1644 tph
Coal Mill	50 tph	52 tph	66 tph	168 tph
Kiln	6700 tpd	6700 tpd	9,000 tpd	22,400 tpd
Cement Mill	552 tph	350 tph	445 tph	1347 tph
Pack House	960 tph (8x120)	600 tph (6x100)	792 h (6x132)	2362 tph

ELECTRICITY GENERATION CAPACITY (MW)

	Furnace Oil	Gas	Dual Fuel (FO+G)	WHR	Coal	Total
DGP	-	24.60	-	10.40	30.00	65.00
KHP	-	-	33.00	12.00	-	45.00
HUB	23.84	-	-	10.00	30.00	63.84
Total	**23.84**	**24.60**	**33.00**	**32.40**	**60.00**	**173.84**

ELECTRICITY REQUIREMENTS

Factory	MW
DGK	42
KHP	31
HUB	40
Total	**113**

**Transferred to HUB from DGK site

Group Profile

ABOUT FOUNDER:

Mian Mohammad Yahya, the founding father, was born in 1918 in Chiniot. In 1947 when he was running a leather business in Calcutta, he witnessed the momentous changes that swept the Indo-Pak sub-continent and culminated in the emergence of Pakistan. This is a story of success through sheer hard work and an undaunted spirit of entrepreneurship. Beginning with a cotton export house, he soon branched out into ginning, cotton and jute textiles. He was elected Chairman of All Pakistan Textile Mills Association, the prime textile body in the country.

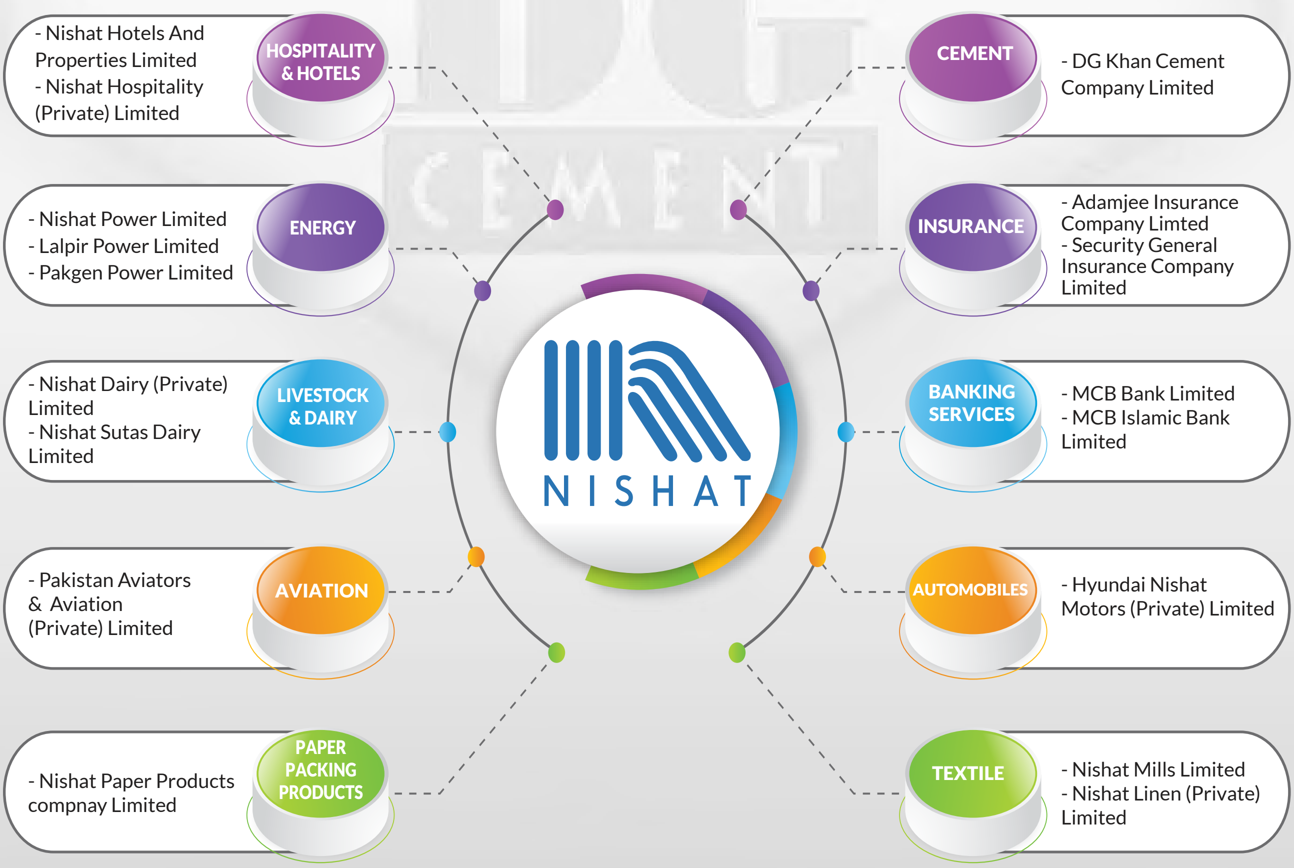
He died in 1969, at the age of 51 having achieved so much in so short time. After him, **Mian Mohammad Mansha,** like his father, continues the spirit of entrepreneurship, and has led the Group to become a multi-dimensional corporation, with wide ranging interests. Nishat has grown from a cotton export house into the premier business group of the country.

Nishat is a Pakistani business conglomerate group. It has a diversified presence in various sectors. All its entities are run by professionals on update business practices in compliance with national and international regulations.

Its Market Capitalization as on June 30, 2022 is about PKR 228 billion (about USD 1.1 billion). The Group regular employees are more than 43,000. As on June 30, 2022, 63.7% of group market capitalization was occupied by banking sector, cement 12.0%, textile 11.4%, power 8.1%, and insurance 4.8%.

The Group has notable presence in following business sectors:

- Banking & Financial Services
- Cement
- Hospitality & Hotels
- Aviation
- Paper packing products
- Agriculture & Farming, Livestock & Dairy
- Insurance
- Textiles
- Energy
- Automobiles
- Real Estate



Relationship wtih Group Companies

No.	Name of Company	Relationship with DGKC
1	NISHAT MILLS LIMITED	Associated Undertaking
2	NISHAT POWER LIMITED	Associated Undertaking
3	LALPIR POWER LIMITED	Associated Undertaking
4	PAKGEN POWER LIMITED	Group Company
5	MCB BANK LIMITED	Group Company
6	MCB ISLAMIC BANK LIMITED	Associated Undertaking
7	ADAMJEE INSURANCE COMPANY LIMITED	Group Company
8	ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Associated Undertaking
9	NISHAT PAPER PRODUCTS COMPANY LIMITED	Associated Undertaking/Subsidiary
10	SECURITY GENERAL INSURANCE COMPANY LIMITED	Associated Undertaking
11	NISHAT HOTELS AND PROPERTIES LIMITED	Associated Undertaking
12	NISHAT (AZIZ AVENUE) HOTELS AND PROPERTIES LIMITED	Associated Undertaking
13	NISHAT (RAIWIND) HOTELS AND PROPERTIES LIMITED	Associated Undertaking
14	NISHAT ENERGY LIMITED	Group Company
15	NISHAT HOSPITALITY (PVT) LIMITED	Associated Undertaking
16	NISHAT LINEN (PVT) LIMITED	Associated Undertaking
17	NISHAT AGRICULTURE FARMING (PVT) LIMITED	Associated Undertaking
18	NISHAT DEVELOPERS (PVT) LIMITED	Associated Undertaking
19	PAKISTAN AVIATORS & AVIATION (PVT) LTD.	Group Company
20	NISHAT REAL ESTATE DEVELOPMENT (PVT) LIMITED	Group Company
21	NISHAT DAIRY (PVT) LIMITED	Associated Undertaking/Subsidiary
22	HYUNDAI NISHAT MOTOR (PVT) LIMITED	Associated Undertaking
23	NISHAT COMMODITIES (PVT) LIMITED	Associated Undertaking
24	NISHAT USA INC.	Group Company
25	NISHAT LINEN TRADING LLC	Group Company
26	NISHAT INTERNATIONAL FZE	Group Company
27	CHINA GUANGZHOU NISHAT GLOBAL CO. LTD.	Group Company
28	MCB FINANCIAL SERVICES LIMITED	Group Company
29	EURONET (PVT) LIMITED	Associated Undertaking
30	NISHAT AGROTECH (PVT) LIMITED	Associated Undertaking
31	EMPORIUM PROPERTIES (PVT) LIMITED	Associated Undertaking
32	GOLF VIEW LAND (PVT) LIMITED	Associated Undertaking
33	NISHAT SUTAS DAIRY LIMITED	Group Company

DGKC-Group Cross Investments

HOLDING IN DGKC

Share Holder	No. of Shares	%
Nishat Mills Limited	137,574,201	31.40
Adamjee Life Insurance Company Limited	4,242,155	0.96
Security General Insurance Company Limited	228,500	0.05
Mrs. Naz Mansha	213,098	0.05
Mian Raza Mansha	12,796,880	2.92
Mrs. Ammil Raza Mansha	5,891,098	1.34
Mian Umer Mansha	27,565,313	6.29
Mian Hassan Mansha	27,139,917	6.19
	215,651,162	**49.2**

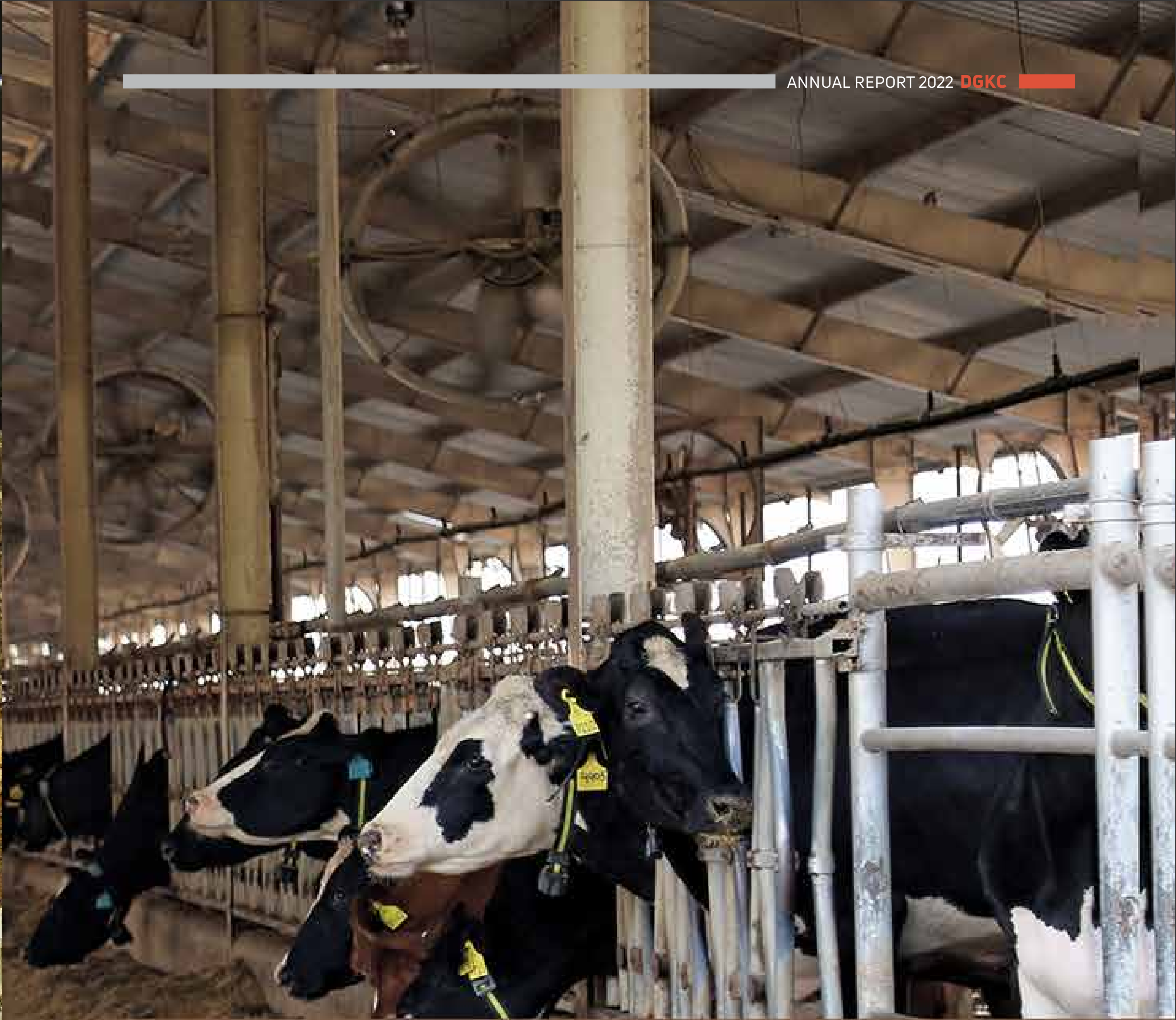
DGKC HOLDING IN

	No. of Shares	%
MCB Bank Limited	102,277,232	8.63
Nishat Mills Limited	30,289,501	8.61
Adamjee Insurance Co. Ltd.	27,877,735	7.97
Nishat Paper Products Co. Ltd.	25,595,398	55.00
Nishat Dairy (Pvt) Limited	270,000,000	55.10
Nishat Hotels and Properties Limited	104,166,667	10.42
Hyundai Nishat Motor (Pvt) Ltd.	94,873,000	10.00

Subsidiaries

NISHAT PAPER PRODUCTS COMPANY LIMITED (NPPL)

NPPL is a public company limited by shares, incorporated in Pakistan on July 23, 2004. It is principally engaged in the manufacture and sale of paper products and packaging material. Its manufacturing facility is located at Khairpur on the parent company's land. Company has 3 main production lines with 220 million bags per annum production capacity to facilitate cement industry in meeting their packing requirements. DGKC holds 55% shares in NPPL.

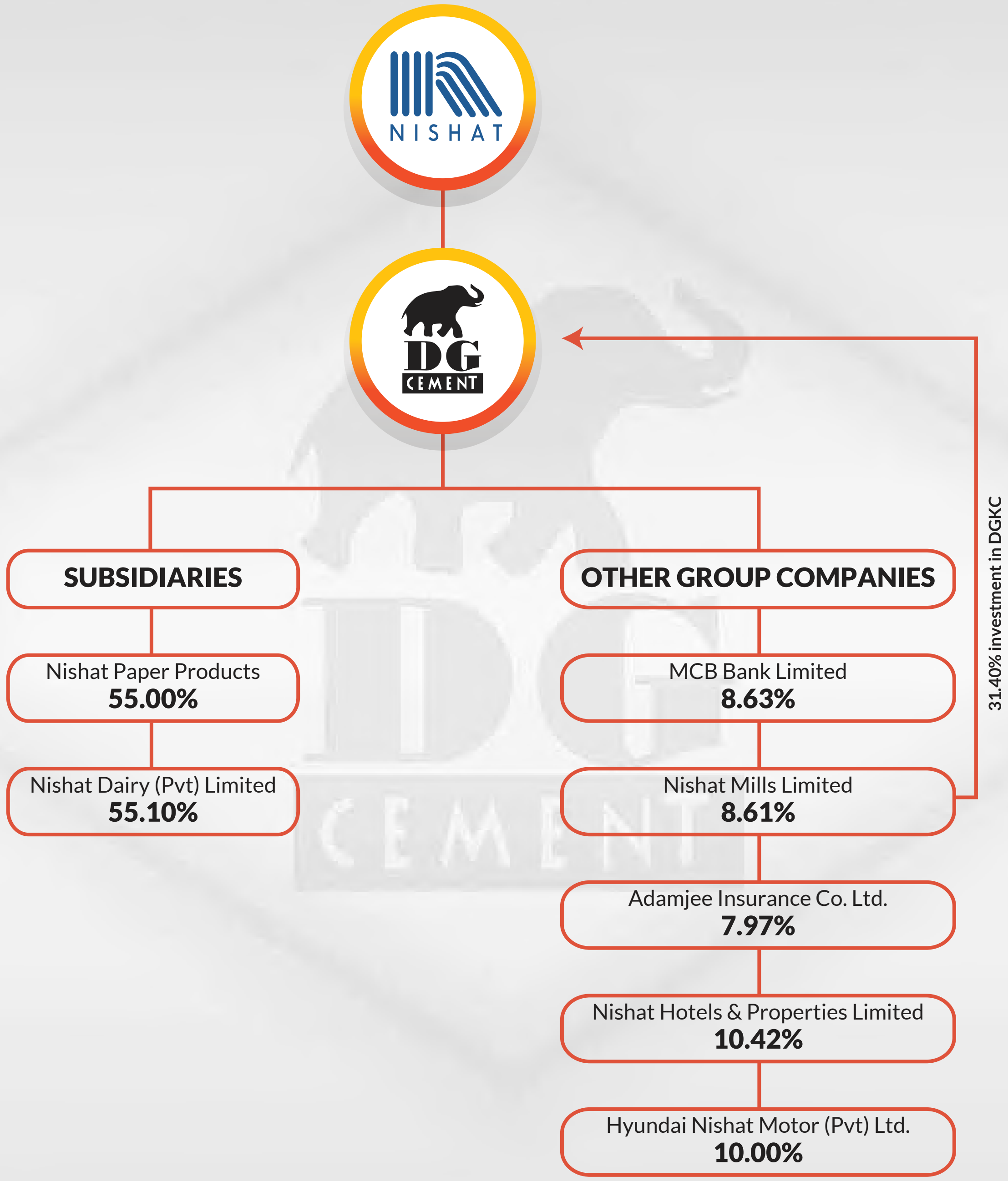


NISHAT DAIRY (PRIVATE) LIMITED (NDPL)

NDPL is a private company limited by shares, incorporated in Pakistan on October 28, 2011. It is principally engaged in the business of production and sale of raw milk. The company was set up with the principle object of carrying out dairy business in Pakistan. It has purchased 147 acres of land near Sukheki to set up the dairy operations. As at June 30, 2022 the Company has 3,270 mature milking animals.

In October 2018, Nishat Group inked a joint agreement with SÜTAS, a Turkish brand which is one of the largest producers of milk and dairy products in Turkey. The agreement aimed for the manufacturing, marketing and sale of premium dairy products in Pakistan and development of Pakistan's dairy sector. The venture is initiating a processed milk brand "MilkField" subsequent to year end. DGKC owns 55.1% holding in NDPL

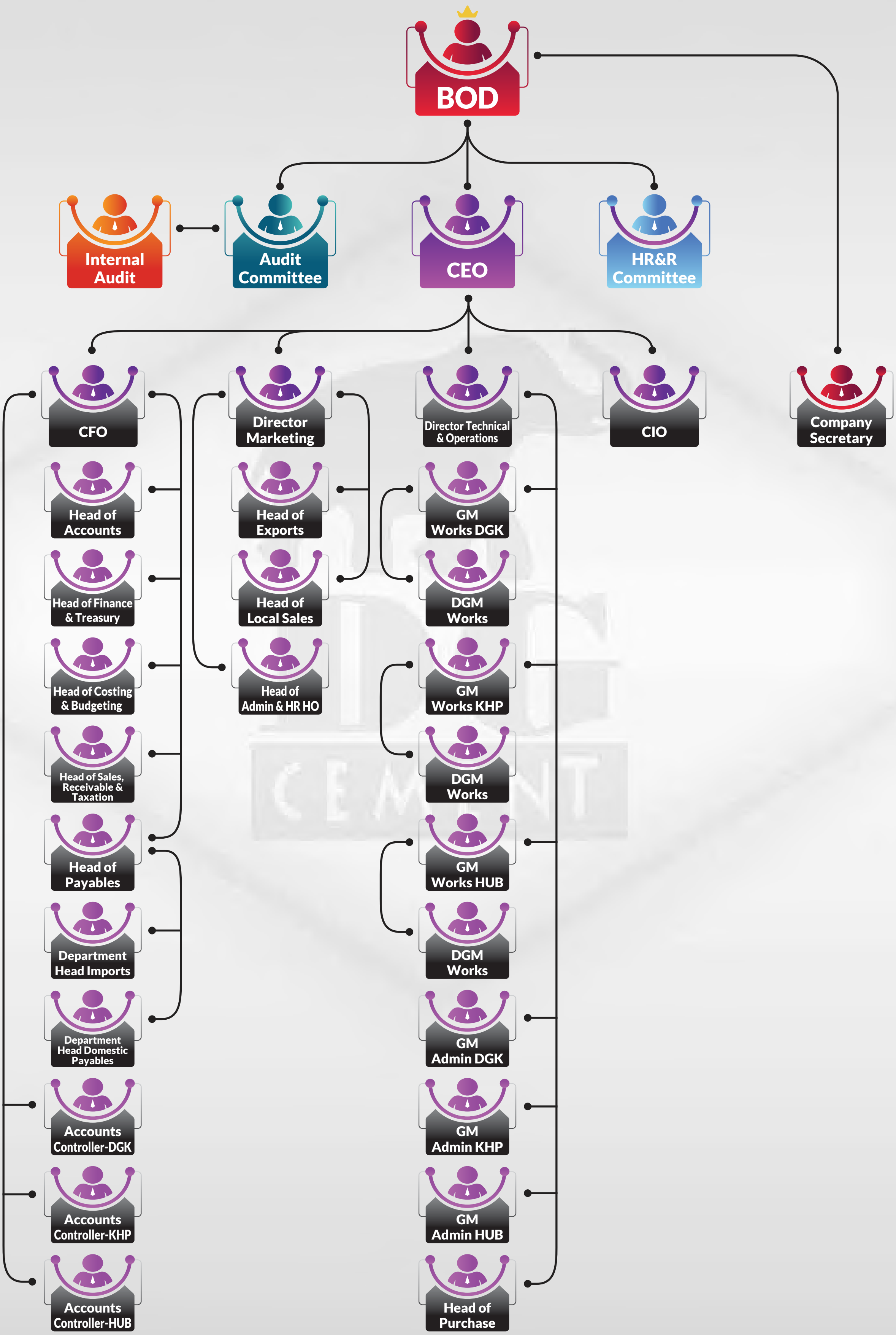
Flow Chart of Company's Investments



Investees Net Profitability for FY22
Period July 1, 2021 to June 30, 2022

	Rs in '000'
Nishat Paper Products	291,665
Nishat Dairy (Pvt) Limited	175,232
MCB Bank Limited	27,193,039
Nishat Mills Limited	10,311,674
Adamjee Insurance Co. Ltd.	2,531,285
Nishat Hotels & Properties Limited	850,396
Hyundai Nishat Motor (Pvt) Limited	2,079,246

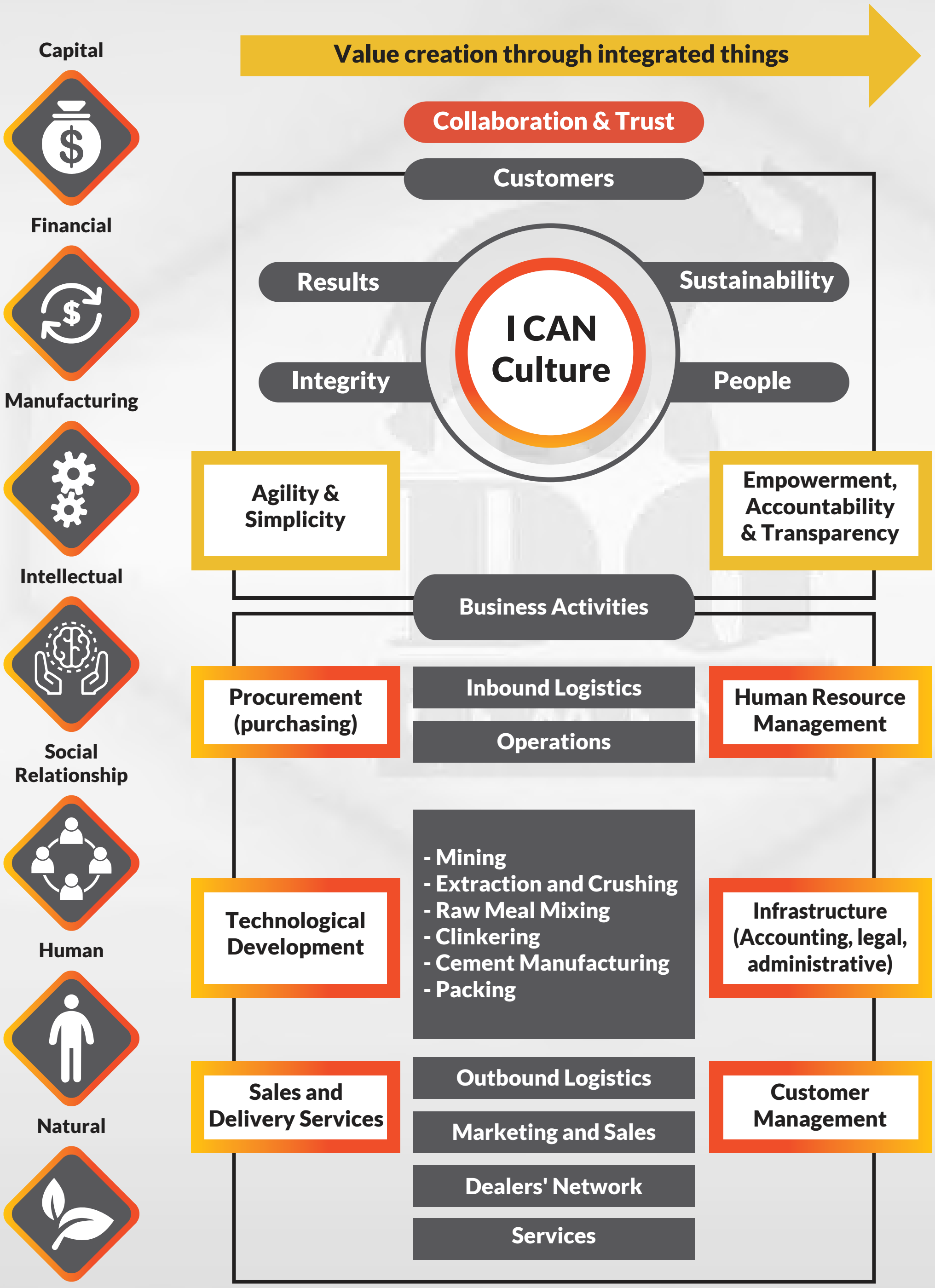
Organization Structure



EXTERNAL & INTERNAL ANALYSIS

POSITION OF REPORTING ORGANISATION WITHIN VALUE CHAIN

Our value chain analysis shows the combination of the systems that DGKC uses to create value for its stakeholders. This diagram shows the position of our organization within the value chain to show how all of our activities are connected and how the value chain is composed of various subsystems that are used to manufacture cement.



Value created for our stake holders

Stakeholders and Investors
- Increased Market Capitalization
- Elevated EBITDA margins
- Rise in operating cash flows
- Increased revenue from operations

Customers
- Sustainable and cost saving product
- Increased customer satisfaction

Communities
- Running schools for education
- Water supply facilities
- Support to the deserving persons
- Contribution towards natural disaster
- Sessions on health and safety
- Rehabilitation of disable person Fire fighting services for nearby areas
- Free medical and dispensary

Suppliers
- Timely receipt of payments
- Business growth for more orders

Government
- Timely payment of taxes and duties
- Acting as a social responsible citizen
- Compliance with laws & Regulations

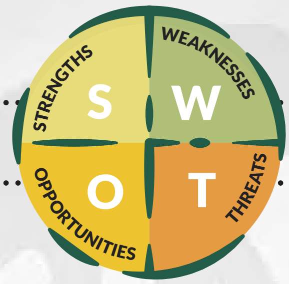
SIGNIFICANT FACTORS AFFECTING THE EXTERNAL ENVIRONMENT

Factors	Description	Organization Reponses
Political	• It determines how government policy and actions intervene in the economy and other factors that can affect a business. • Political instability and transition of government impacts the organization negatively. • Rapid changes in Government's macroeconomic policies also adversely impact the Company's business.	• Management look at tariffs, trade deals as they are developed not only by the economics or business side but what political relationships influence those decisions. • Management proactively plans for the different demand scenarios with help of budgeting, forecasts and projections. • Timely adjustments are made in the organizational processes and policies in response to actual or anticipated changes in Government policies. • Issues relating to the Cement Industry are dealt with through the forum of APCMA.
Economic	• Extensive competition, devaluation of currency, fluctuating interest rates and higher inflation. • Low Government's development spending, prevailing pandemic and lower economic growth, construction activities slow-down.	• Management continues to identify new markets for its products, internationally to offset local demand contraction and hedge currency fluctuation. • Company constantly strives to bring efficiencies in its manufacturing process and energy mix including BMR, which supports in mitigating adverse effect of increase in production cost.
Social	• Focus on Corporate Social Responsibility, Donations, development of communities and Scholarships.	• As a socially responsible corporate entity, DGKC strives hard to develop the communities in which it operates by ensuring compliance with all requirements of CSR. • It donates generously to various social and charitable causes including health, education and social sectors. • It also provides clean water, free education through schools, medical facilities and fire fighting services in arears nearby the sites.
Technological	• Risk of technological obsolescence. • Technological innovation by competitors	• To continue its legacy of being among the unparalleled leaders of the cement industry, DGKC has always given priority to latest technological developments. • DGKC has installed WHR 10MW power plant at its HUB plant. last year, 30MW CFPP has become operational this year. • Continuous investment in key technological software to achieve operational excellence.
Environmental	Environmental Footprint, Recycling, Climatic Conditions Global warming, Natural disasters etc.	• The Company takes various steps to protect the environment including compliance with applicable environmental standards. • Company has approved standards of ISO for complying with an effective environmental management system. • Waste is collected from cities and is used as alternate fuel. • Investment in Waste Heat Recovery system so as to minimize Company's impact on the environment due to its operations.
Legal	Compliance with the applicable legal and regulatory requirements	DGKC has a dedicated team of professionals which ensures that all its processes comply with the applicable regulatory requirements. It ensures that all taxes and duties payments, whether income tax or sales tax, are made timely by having an effective cash management system in place.

S.W.O.T. ANALYSIS

- Strong brand recognition
- Well diversified fuel mix % & efficient operations
- Strong financial position
- Quality and efficiency of human resources
- Easy access to production resources
- Trusted and efficient supply chain
- Geographically diversed & state-of-art production facilities production facilities
- Self sufficiency in electricity requirement

- Highly fragmented industry
- Demand supply gap, overcapacity
- High taxation and duties
- High energy cost and inflation
- High interest rates
- Tough competition in local market
- Low exports of cement



- Future growth potential particularly exports to USA
- Focus on cost optimizing
- Export opportunities due to fully operational HUB facility
- CPEC led growth opportunities
- Flood related infrastructure requirement

- Overcapacity effecting the margins
- Devaluation of money
- Inconsistent economic policies
- Protectionism
- Rising cost of logistics
- High cost of financing
- Slashing PSDP funds
- Rise in coal prices

EFFECT OF SEASONALITY

Seasonality has no impact on Cement Production. Cement sales are higher in spring/summer months due to longer duration of the day. It is also observed that the people also undertake construction activities at the end of crop season starting from spring because of availability of finances. The sales fall in the monsoon and snowy season due to less construction work undertaken.

THE POLITICAL ENVIRONMENT WHERE THE ORGANIZATION OPERATES

The political environment influences the economy and certain industries. The Government may impose new taxes, restrictions, or obligation due to which entire revenue-engendering structures of the company might change. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a Government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.

The political environment in other countries also influences our local industry. The disruption of energy supplies from the world's largest supplier Russia is resulting in a hike in energy prices throughout the world. This has the potential to deplete our national reserves, thereby shrinking the country's purchasing power even more. Different countries, particularly in South Africa, anti-dumping laws also hamper the exports perspective for cement industry. Political tension between India and Pakistan has also disrupted the cement sale opportunities (especially after Palwama attack in 2019 and India August 5 decision of abrogation of article 370 and 35A)

LEGITIMATE NEEDS AND INTERESTS OF KEY STAKEHOLDERS

Overall cement industry ensures that interests of stakeholders are duly respected. Customers are well attended and their grievances are timely addressed. Cement industry has also been good compliant of tax and corporate laws.

Employees
Training, Development, Recognition, Work-life balance

Government/Regulators
Compliance with law and regulatory requirements

Investors
Company's growth and performance, Return on Investment

Financial Institutes
Deposits volume, Investments, Borrowing portfolio and Timely repayments of debts

Dealers/Retailers
Regular supplies, Timely Delivery, Profit margins

Consumers
Quality, Consistency, Regular supplies and Timely delivery

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

Market Positioning Forces	Threat	Nature Of threat
Threat of substitutes	Low	Concretes are considered substitute for cement but the market is dominated by cement and customers in Pakistan are more comfortable in cement product than concrete
Threat of competition	High	- High rivalry among competitors - Over-Capacity in local market - Demand -Supply gap is unfavorable - Low opportunities in export market due to political and economic reasons
Threat of new entrant	Medium to Low	As high investments are required for cement plant, there is barrier for new entrants. However, already established cement mills regularly go for BMRs for capacity additions
Bargaining power of suppliers	Medium to Low	- Low in local market due to reputational strength of Company - High in international commodity market due to Commodity Super Cycle
Bargaining power of Customers	Medium to Low	- Large number of customers and fragmented market - However, Export markets are tense and have more negotiating powers

History of Major Events (Brick by Brick)

1978
Established under the control of State Cement Corporation of Pakistan Limited

1986
Commenced commercial production with clinker capacity of 2,000 TPD at DG Khan site

1992
Acquired by Nishat Group under privitization initiated by the Government

1993
Clinker production capacity of existing production line increased to 2,200 TPD

1996
Installation of 23.84 MW furnace oil based captive power plant

1998
Addition of another production line with clinker capacity of 3,300 TPD at DG Khan site

2001
Kiln Firing System converted from furnace oil to coal-based system.

2005
Increase in production capacity of existing lines to 6,700 tons per day

2007
Installation of plant at Khairpur Chakwal, enhanced the capacity to 13,400 TPD.

2007
Installation of 33 MW dual fuel power plant at Khairpur site

2010
Installation of 10.4 MW WHR power plant at DG Khan site

2013
Installation of 8.6 MW WHR power plant at Khairpur site

2016
Installation of 30 MW Coal Fired Power Plant at DG Khan site

2018
Addition of new plant at HUB enhanced the clinker capacity to 22,400 TPD

2020
Addition of 12 MW WHR power plant at Khairpur site. Old plant was decomissioned

2021
Addition of 10 MW WHR power plant at HUB site

2022
Addition of 30 MW CFPP power plant at HUB site

Significant Events During the Year and After the Reporting Period

Event Calander from July 01, 2021 to June 30, 2022

July 27, 2021

July 27, 2021 Notice of Meeting of HR&R Committee sent to Members of HR&R Committee.

August 03,2021

Meeting of the Members of HR&R Committee conducted.

September 06, 2021

Notice for Meeting of Board Directors for consideration of Annual Audited Accounts for the year ended June 30, 2021 sent to Stock Exchange.

September 06, 2021

Notice of Meeting of Audit Committee sent to Members of Audit Committee.

September 06, 2021

Notice for Meeting of Board Directors for consideration of Annual Audited Accounts for the year ended June 30, 2021 sent to Board of Directors.

September 14, 2021

Meeting of the Members of Audit Committee conducted for recommendation of Annual Audited Accounts for the year ended June 30, 2021, related party transactions, appointment of External Auditors etc.etc. to the Board of Directors for their approval.

September 14, 2021

Meeting of the Board of Directors conducted for consideration and approval of Annual Audited Accounts for the year ended June 30, 2021 Director's Report, Related Party Transactions, Appointment of External Auditors, Agenda and Venue of AGM, Special Business Under Section 199 of the Companies Act, 2017 etc. etc.

September 14, 2021

Financial Results for the year ended June 30, 2021 and other Coprorate Actions Sent to Stock Exchange immediately after conclusion of Board Meeting.

September 28, 2021

Notice of AGM Sent to Pakistan Stock Exchange

September 30, 2021

Notice of Annual General Meeting published in Newspapers.

October 15, 2021

Notice of Meeting of Audit Committee sent to Members of Audit Committee.

October 15, 2021

Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 1st Quarter ended September 30, 2021 Sent to Directors and Stock Exchange.

October 25, 2021

Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the 1st Quarter ended September 30, 2021, Related Party Transactions etc. etc. to the Board of Directors for their approval.

October 25, 2021

Meeting of the Board of Directors conducted for consideration and approval of Un-Audited Accounts for the 1st Quarter ended September 30, 2021, Directors Report, Related Party Transactions etc. etc.

October 25, 2021

Financial Results for the 1st Quarter ended September 30, 2021 along with other Coprorate Actions, if any, Sent to Stock Exchange immediately after conclusion of Board Meeting.

October 28, 2021

Annual General Meeting conducted and Shareholders approved Annual Audited Acounts, Appointment of External Auditors and Investments under Section 199 of the Companies Act, 2017.

October 28, 2021

Certified Copy of Special Resolutions Passed by the Shareholders in their Annual General Meeting held on October 28, 2021 sent to Stock Exchange.

November 16, 2021

Corporate Briefing Session on FY 2021 was held through video link.

November 23, 2021

Minutes of Annual General Meeting held on Oectober 28, 2021 sent to Stock Exchange.

Feberuary 10, 2022

Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the half year ended December 31, 2021 sent to Stock Exchange.

Feberuary 10, 2022

Notice of Meeting of Audit Committee sent to Members of Audit Committee.

Feberuary 10, 2022

Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the Half Year ended December 31, 2021 Sent to Directors.

February 18, 2022

Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the Half Year ended December 31, 2021, Related Party Transactions etc. etc. to the Board of Directors for their approval.

February 18, 2022

Meeting of the Board of Directors conducted for consideration and approval of Un-Audited Accounts for the Half Year ended December 31, 2021, Directors Report, Related Party Transactions.

February 18, 2022

Financial Results for the Half Year ended December 31, 2021 along with other Coprorate Actions, Sent to Stock Exchange immediately after conclusion of Board Meeting.

April 15, 2022

Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2022 Sent to Stock Exchange.

April 15, 2022

Notice of Meeting of Audit Committee sent to Members of Audit Committee.

April 15, 2022

Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2022 Sent to Board of Directors.

April 25, 2022

Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the 3rd Quarter ended March 31, 2022, Related Party Transactions etc. etc. to the Board of Directors for their approval.

April 25, 2022

Meeting of the Board of Directors conducted for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2022, Directors Report, Related Party Transactions etc. etc.

April 25, 2022

Financial Results for the 3rd Quarter ended March 31, 2021 along with other Coprorate Actions, if any, Sent to Stock Exchange immediately after conclusion of Board Meeting.

April 26, 2022

Transmission of Quarterly Report for the period ended March 31, 2022

Business Model

Our value creation business model is the hub of everything we do. It defines risk and opportunities in our external environment, inputs we consume, activities we carry on, the relationships we depend on and the outputs and outcomes we desire to achieve while creating sustainable value for our stakeholders in short, medium and long-term.

Risk and opportunities in our operating environment

- Economic enviroment and market demand
- Inflation and cost of production
- Legal and Compliance

Strong governance oversight

- DGKC is committed to highest standards of governance, ethicsand integrity.

- DGKC embraces best in class governance systems and practices to ensure sustainable value creation and serve as market leader

Input

Financial Capital

> Equity- 69.91 Billion

> Total Assets- 136.56 Billion

Manufacturing

> Production facility at 3 different Sites

> Clinker production capacity of 6.7 Million ton/ annum

Natural

Water, energy & environement conservation

Human and Intellectual Capital

1900+ Regular employees

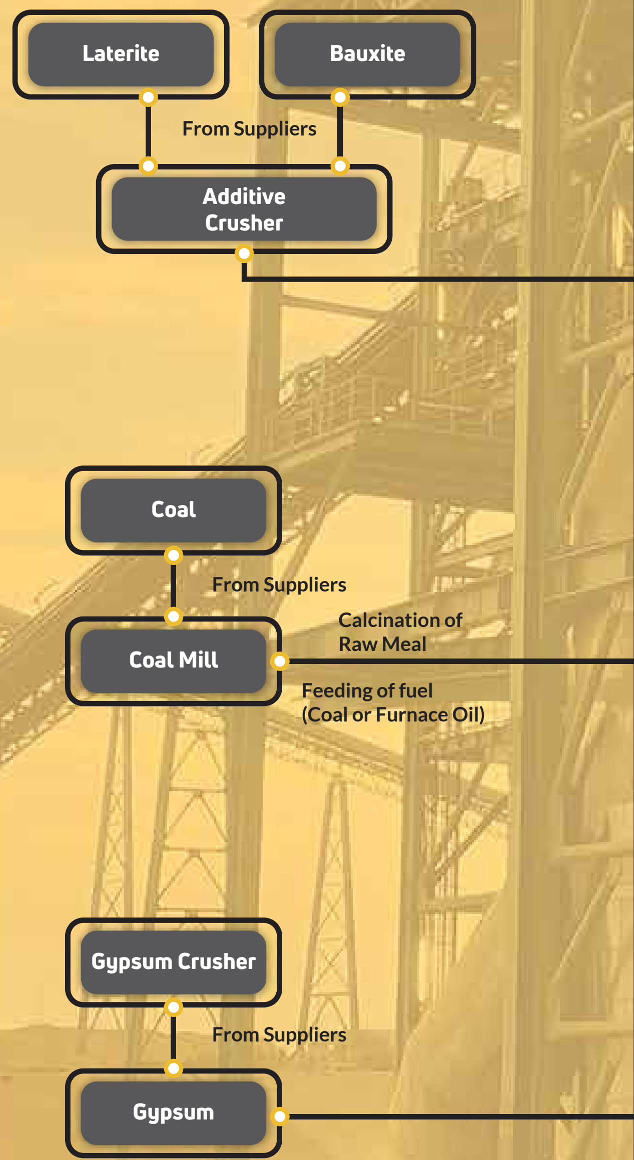
Social and Relationship

2200+ netweok of distrbutors and dearlers

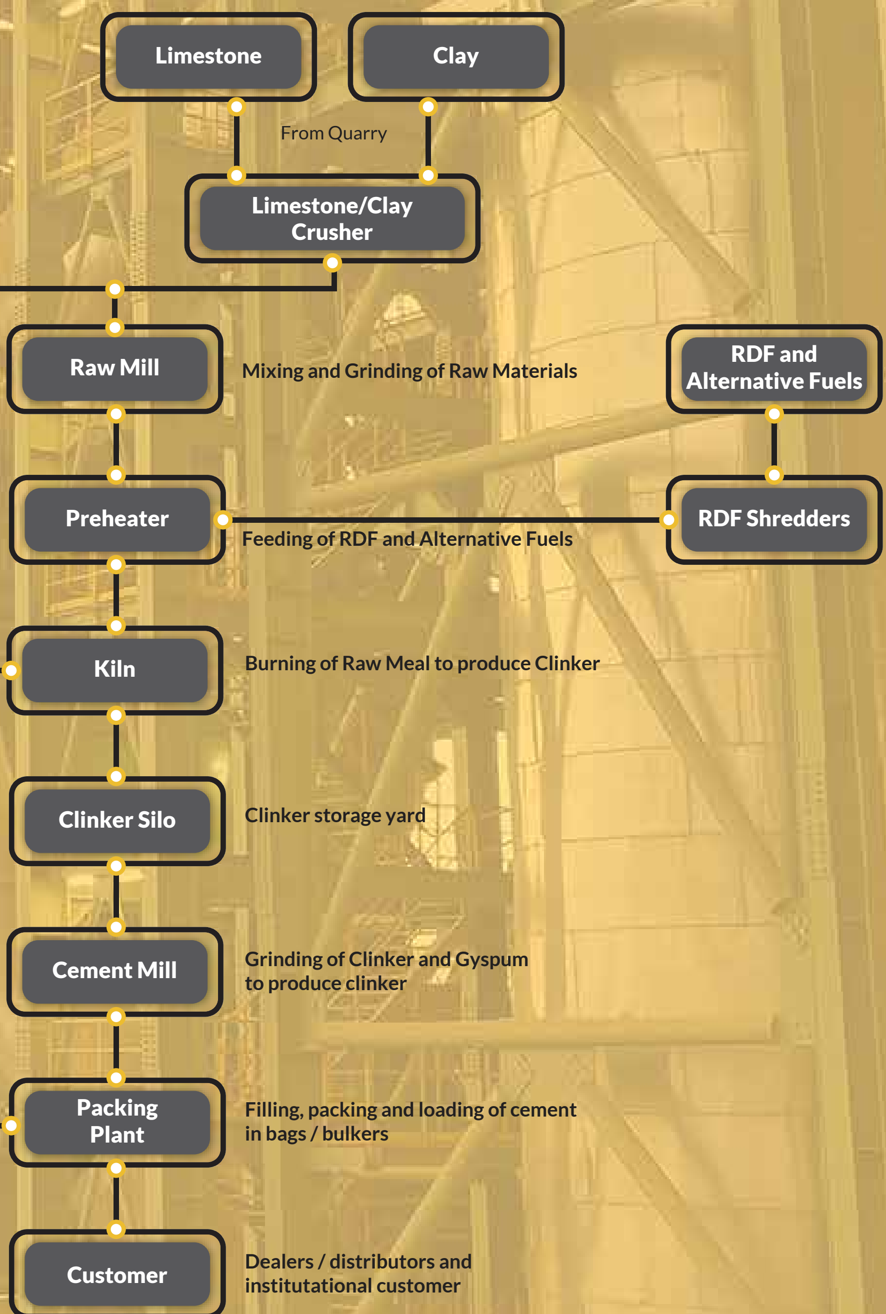
Suppliers

Long term and constructive partnerships with key suppliers.

Our Business Activity



And Process



Our Capitals (Value Generated and Added)

Financial Capital

- Net Profit- 2.9 Billion
- 23+ Billion in government treasury

Human Capital

- Talent nourishment and growth
- Diversity focused at workplace
- Promoting employment

Social Capital

- Customer satisfaction
- Trust of vendors
- Growing network of vendors, dealers & customers

Manufactured Capital

- Contributing to substitute imports
- Providing better quality of Cement
- Higher market share

Natural Capital

- Better utilization of natural resources including water, energy & other natural resources.

SIGNIFICANT CHANGES AND DEVELOPMENTS FROM PRIOR YEAR

Following are some worth mentioning changes from prior Year:

- With rising coal prices, Company has partially shifted its focus towards Alternate Energy Fuel in the form of RDF. The initiative provided Company significant savings, optimize the energy mix and reduced the carbon footprints and giving valuable service to society through disposal of wastes.
- Company managed to install 30 MW Coal Fired Power Plant in the first quarter of the financial year. This initiative has made our plant at Hub Site self-sufficient in its energy needs.
- Company managed to diversify its export market by securing orders from USA. This was possible through all around support ranging from quality control to finance and marketing to logistics. The initiative has now opened a window of opportunities for the coming future.
- Nishat Dairy (private) Limited has registered net profitability for the first time since commencement of operations. Now, all the subsidiaries are in profits, paving a way for future dividends.

LEGISLATIVE AND REGULATORY REQUIREMENTS IN WHICH ORGANIZATION OPERATES

DGKC comply with all the law and regulatory requirements. Applicable laws include but not limited to:

- The Companies Act, 2017
- Stock Exchange Regulations,
- Code of Corporate Governance
- International Accounting and Financial Reporting Standards
- Income Tax law, Sales Tax Laws (provincial and federal) and Excise Laws
- Property taxation
- Labour, Health & Safety Laws
- Environmental Laws

STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

INTEGRATED REPORTING FRAMEWORK

An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value over the short, medium and long-term. Keeping in view the globalized business scenario and the ever-increasing expectations of all the stakeholders being users of published annual report, integration of corporate governance briefings, social and environmental information with financial information is vital to organizational position and performance reporting.

The integrated reporting framework follows a principle-based approach, including the following guiding principles:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

Integrated Report is based on integrity and compliance with the framework, including the following content:

- Organisational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of preparation and presentation

The Report has been prepared in compliance of:

- The International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).
- Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP)
- Provisions and directives of Companies Act , 2017
- Code of Corporate Governance Regulations, 2019
- Core guidelines of the Integrated Reporting Framework issued by the IIRC

BOARD'S RESPONSIBILITY ON FINANCIAL REPORTING COMPLIANCE

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

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

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

BCR CRITERIA CROSS REFERRED WITH PAGE NUMBERS OF ANNUAL REPORT

Referencing details have been sufficiently and appropriately maintained on the "Investor Information Section" of company's website.
https://www.dgcement.com/

DISCLOSURES BEYOND BCR CRITERIA

Following is a list of disclosures that have been made in addition to the ICAP / ICMAP BCR criteria:

- About DGKC Report, Scope and its Boundaries
- Production Facilities
- Integrated Risks into Business Strategy
- ESG - Sustainability Model
- SDG- Sustainable Development Goals
- Pattern of Shareholding
- Categories of Shareholders
- Additional Information of Shareholders
- Key Highlights 2021-22 Unconsolidated
- Key Highlights 2021-22 Consolidated
- Chairperson's Message
- Chief Executive's Review
- Cement Sector in Pakistan

Strategy And Resources Allocation

Strategy, Objectives and Resources Allocation

Our Corporate Strategy entails producing the highest quality of products benefitting all stakeholders. The Company emphasizes on transparency and building greater standards of ethical values. The Company focuses on its team and believes in regular training and development of its human resource given the technologically advanced nature of DGKC's plant and machinery. There is a strong commitment for continuous improvement of each process in order to optimize efficiency.

Strategic Objectives, Strategies, Resources And KPIs'

Objectives	Strategies in Place / Resource Allocation	KPIs monitored	Nature
Ensure operational Efficiencies	• Maximizing our capacity utilization • Continuous BMR and analysing • Eradicating operational inefficiencies via strong control system and ethical values. • Improvement of organizational structure and optimum utilization of Company resources.	• Capacity Utilization • Gross Margin • Non-compliance of controls	Short Term / Medium Term
Enhance the profitability of the Company and maximize the shareholders' value;	• Sales expansion through product reaching out to new global/ local markets with improved product quality.	• Market share, • Sales volume, • Customer retention • New market reached	Short Term / Medium Term
Remain socially and environmentally responsible.	• Contribute to sustainable development of society throughout all commercial and social activities of the Company. • Ensure compliance to all applicable laws via strong legal and compliance team	• Number of non-compliances. • Legal and other notices from competent authorities	Long Term
Become the market leader by outshining the competitors and ensure the competitive advantage by new technology.	• Maximizing our capacity utilization • Eradicating operational inefficiencies via strong controls • Optimal utilization of human resources • Advance technology use	• Cost controls • Explore new international markets • Alternative energy resources	Medium Term / Long Term
Develop and promote the brand as 'first choice' among its customers and develop the strong and loyal dealers'	• Provide highest quality of cement • Prompt delivery • Sales services with improved marketing strategy.	• No. of same customer retention • Addition of new dealer's network. • No of complains	Long Term
HR Excellence to fit our human resources into the strategies, initiatives and visions of this organization.	• Forecast future HR plans • Succession Plan • Diversity into HR strategy • Linking HR planning to overall business strategy • Accept and absorb change to cope with future chellenges	• Employees turnover • Employees satisfaction • Training and development	Long Term

* No Significant change has been observed in objectives and strategies from last year.
** These KPIs will remain relevant for future as well.

RESOURCE ALLOCATION PLANS TO IMPLEMENT THE STRATEGY AND FINANCIAL CAPITAL STRUCTURE

To achieve strategic objectives, our company strategically strives to enhance stakeholders' value and meticulously establishes strategies and plans. To achieve its strategic objectives, the Company deploys resources at its disposal in a planned manner.

We intend to maintain sufficient liquidity available for operations. Our investments in banking, textile, and insurance sectors generate adequate return on investments throughout the year in form of dividends. This provides the management with the flexibility to fund business expansion and invest in cost-saving initiatives. Moreover, the Company has an efficacious Cash Flow Management System in place whereby cash inflows and outflows are projected and monitored on a regular basis. Working capital requisites are managed mainly through internal cash generation and subsidized financing, whenever available.

Proper technical and financial due diligences are carried out when new plant or machinery is to be installed to ensure that they provide depth to the Company in meeting its objectives. Power mix and future supply chain for stores and spares are also considered to avoid any disruption of the plant. Best available talents are not only attracted but also retained to maintain the quality of our human capital.

Relationships with key stakeholders are always part of our plan in pursuance of our strategy. Regular meetings with Banks, trade associations, Government bodies etc are conducted for the purpose of communication in achieving shared objectives.

KEY RESOURCES AND CAPABILITIES OF THE COMPANY WHICH PROVIDE SUSTAINABLE COMPETITIVE ADVANTAGE

DGKC has been blessed with unique capabilities and resources that have been developed over the years through due diligence and planning keeping in view strategic objectives of the Company. Key resources and capabilities of the Company which provide sustainable competitive advantage over the years are:

- Geographically diversed & state-of-art production facilities
- Self-sufficiency in electricity requirement
- Investments in multiple companies and regular dividend income
- Strong brand recognition
- Sufficient production capacity to meet the market demand
- Well diversified fuel mix % & efficient operations
- Strategic location at Hub site, boosting ability to export.
- Easy access to production resources

VALUE CREATED BY THE BUSINESS USING THESE RESOURCES AND CAPABILITIES

Resource allocation plan allowed us proper planning and implementation to achieve our desired goal through optimum utilization of available resources. Value we have created through resource allocation plan:

- Increased productivity and capacity utilization.
- Smooth operation without any disruptions
- Timely and successful delivery of the quality goods and services.
- High sales retention that is translated into high profitability
- New markets for enhanced exports
- Ability to explore export orders at favorable terms

EFFECT OF TECHNOLOGICAL AND SOCIETAL CHANGES ON STRATEGY AND RESOURCE ALLOCATIONS

Company's strategies and resource allocations are driven by not only by internal factors but external factors such as technological changes, societal issues, climate changes and environmental factors. DGKC has also considered these factors in shaping its strategies and has accordingly planned its resources.

TECHNOLOGICAL CHANGES: Technology has changed the pace of business and raised the expectations of our customers. Being a responsive Company towards change, DGKC always adapts the latest technology, whether it pertains to automation of business processes, advance financial software for data analytics or adoption of latest technologies for production. The Company not only ensures that it acquires latest technologies and tools for its expansion projects, it also implement/replicate the newer technologies for its earlier plants as well. These investments in technology allows the Company to reap benefits in terms of efficiencies and lower costs in pursuance of its long and medium terms goals.

SOCIETAL ISSUES: DGKC believes in giving back to the society and accordingly the societal issues relating to education, health, donation, job creation, charity and poverty alleviation are the integral part of its strategic plans. DGKC has adequate health, safety and environment related policies and procedures. We also ensure that the demographic and population changes in the region we operate are accommodated in policies and procedures. We believe in giving back to the society in terms of various activities, capacity building programs, vocational training programs, sponsorship of schools, scholarships, medical clinics and other health related initiatives.

ENVIRONMENTAL ISSUES

DGKC implements its strategies in accordance with well-defined environment policy. We consider all factors before taking strategic decisions about expansion and other activities which has impact on environment to mitigate its affects/ footprint on environments.

SPECIFIC PROCESSES USED TO MAKE STRATEGIC DECISIONS

Strategic decisions are usually long term in nature and have effect on various tactical and operational decisions. Usually driven by vision, DGKC has developed the coherent decision-making process in line with best corporate governance practices. Basic intelligence is provided by the field/operational level staff that is polished at mid to senior level management. Finally, Board through extensive discussion and considering various inputs, outside factors, possible outcomes, and seeking specialized service make strategic decision. Board also ensures that tactical and operational level decisions are in line with the strategic decision. The process can be summarized in the following steps:

1) Identification of problems through market intelligence, SWOT analysis and competitors' analysis

2) Gathering of information through various sources and even seeking specialized outside service

3) Identification of various possible solution and evaluating each solution in term of cost benefit and whether the suggested solution is line with organization vision.

4) Selecting the best option and ensuring its implementation through tactical and operational plans

SPECIFIC PROCESSES USED TO ESTABLISH AND MONITOR THE CULTURE OF THE ORGANIZATION

DGKC has well-established Core Values and a Code of Conduct for its employees at all levels. The Code of Conduct caters to a wide variety of matters pertaining to employees' conduct. It is circulated to all employees who are required to read and acknowledge its understanding by signing it. New employees are hired keeping in view the culture of organization. Every employee of the Company is encouraged to promptly contact the Compliance Officer/ HR department if he or she has observed a violation of this Code, illegal or unethical behaviour and actions are taken promptly.

SIGNIFICANT PLANS AND DECISIONS

The Company does not intend to initiate any plans of corporate restructuring. The Campany has two significant plans for coming years:

- Solar Power Plant at all sites.
- RDF / TDF Plant at HUB site.

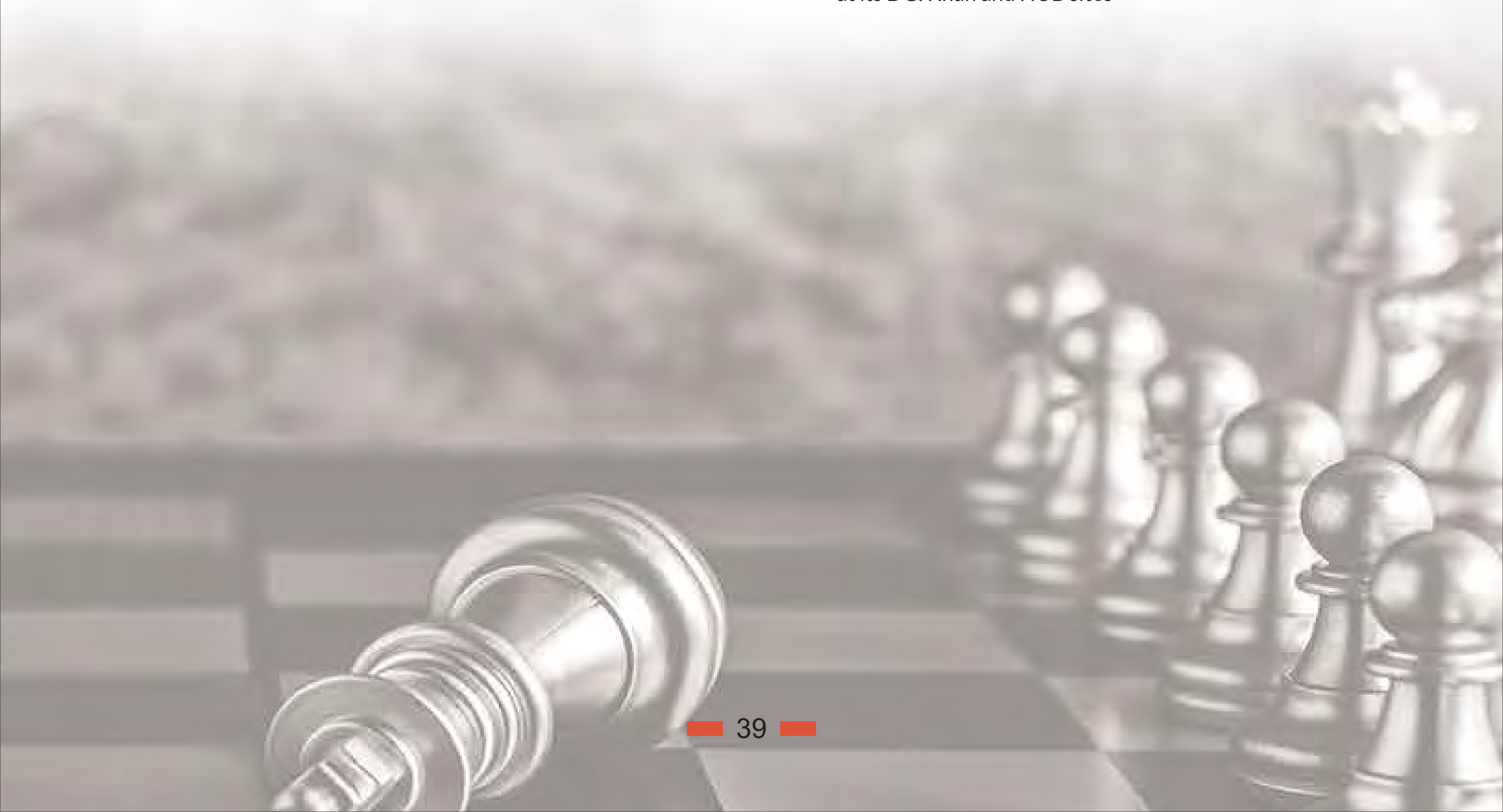
An update on the progress of these projects has been reported in the Directors' Report. The Company does not have any immediate plans for further expansion or discontinuation of any operations, other than the ones already mentioned in the Directors' Report.

RATIONALE OF MAJOR CAPITAL EXPENDITURE

During the FY22, major capital expenditure is related to Coal Fired Power Plant (CFPP) that was capitalized in first quarter, making our Hub site self-sufficient in its energy requirement. When the world-wide inflation comes out of Commodity Super Cycle and coal prices normalize, CFPP will provide competitive advantage at Hub site by providing electricity at cheap rates as compare to K.E rates.

For FY23, following major capital expenditures are planned:

- The Company is planning to install a new Alternate Fuel Energy plant at its Hub site. Usage of alternative fuel not only helps to get rid of different types of Industrial, agriculture, and municipal wastes but also reduce production costs and replaces imported coal, contributing to safe and clean environment. The project is expected to save approximately US$ 22 million every year based on current rates prevailing at international markets. Additionally, replacing imported coal will also save valuable foreign exchange of the country. Approval for project and LC is pending before State Bank of Pakistan. The project is expected to be completed in FY2024 subject to the approval of SBP.
- The Company is also planning to install the on-grid solar power plant of 6.9MW at its site in Khairpur. The project will be completed in about six months and replace electricity generated from fossil fuels/bought from the national grid. This will help reduce carbon footprints that align with our vision and approach to inch up towards environmentally friendly production processes. The Company also plans to install 6MW each solar power plant at its DG. Khan and HUB sites



Risks and Opportunities

RISK MANAGEMENT FRAMEWORK

DGKC's Risk Management Framework describes the risk identification and management process; and provides guidelines that cover key risk areas. Company has established an independent Risk Governance Structure to mitigate and manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs through:

Board of Directors: To reviews the principal risks of the Company and assesses / monitors risks with proposed actions, where necessary.

Board Committees: Includes audit Committee and HRM Committee to assist the Board by reviewing and assessing risks, associated objectives, opportunities and mitigating strategies.

Strategy Promoter: Comprising senior management, is mandated to link risk with strategy and performance setting goals.

Risk Management Supporters: Nominated by their respective functions to communicate function specific risks to Senior Management. They are also responsible to conduct sound risk management within their functions; acting as the first line of defence.

Internal Audit: continually conducts reviews to ensure compliance with the Company's Risk Methodology; acting as the third line of defence.

RISK MANAGEMENT POLICY AND STRATEGIES

The Board ensures that the Company has a robust Risk Management Policy in place to determine and assess the Company's level of risk tolerance; and present a mechanism to minimize the negative impact of such risks on Company business. It also provides entity-wide risk management guidelines that cover key risk areas, including Strategic, Commercial, Reputational, Operational, Financial, Political and other risks. Key elements of the Risk Management Process are:

Risk Identification: Identification of risks that the business is exposed to in its operating environment. This exercise is carried out by all major functions throughout the Company.

Risk Assessment and Evaluation: Assessment and evaluation of risks based on their likelihood and magnitude is carried out by relevant functions through Risk Management Supporters/Promoters nominated by them.

Risk Implementation and Monitoring: Implementation of mitigating strategies and monitoring of results by each function through the Risk Management Supporters.

Risk Review: Review of risks is carried out periodically by the Audit Committee and the HRM Committee of the Board.

Risk Reporting: High level risks are reported to the Board of Directors on recommendation of the Committees.

Risk Updating: Assessed risks are update regularly based on recommendations of the Board, its Committees and Risk Management Supporters/Promoters

Key Risks
(Short, Medium and Long Term)

Risk & Sources	Type of Risk/ Likelihood	Probable Impact	How it is handled/mitigated
Imported Coal (External)	**Availability (High)**	Imported coal is the main burning stuff of kilns and its non-availability could hamper production.	• Maintaining stock levels • Relationship with international coal suppliers. • Replacing some portion of coal with alternate fuels.
	Price (High)	Coal price could heavily impact cost of sales and therefore income statement. Considering huge size of coal consumption its monetary effect would be large.	• Price is monitored vigilantly. • Shipments are booked at best available prices considering the stock levels.
	FX (High) ***(Short Term Risk)***	As price is in USD therefore, any movement in PKR/USD parity could affect income statement.	• FX movements are monitored vigilantly and steps are taken to hedge against probable heavy FX losses.
Energy (External/Internal)	**Availability (Medium)**	Energy (either Electricity or Gas) availability from governmental sources is in serious situation and not guaranteed. Energy is the lifeline of plant and its non-availability could stop plant operations.	• Captive power houses are built. • Captive power units are designed on dual fuel basis i.e., Gas & Furnace oil. • Reliance on single fuel is avoided. • Waste Heat Recovery plants are installed. • Coal based captive power plant at DGK and HUB installed to avoid reliance on national grid and gas.
	Price (High) ***(Medium Term Risk)***	Coal price and electricity could heavily impact cost of sales and therefore income statement. Considering huge size of coal consumption and power cost, their monetary effect would be large.	• Mix of various energy sources is always made in a way so as to achieve best in cost terms. • New plants and innovations are being installed to minimize the cost of energy. • Waste Heat Recovery plants are a source of energy at negligible price.
Raw materials Limestone, Gypsum etc. (Internal)	**Availability (Low)** ***(Long Term Risk)***	If supply of raw material is disrupted it could hamper the operations.	• Enough land areas and mines are obtained to secure supply of raw materials. • Factory sites are adjacent to main raw material quarries.

Risk & Sources	Type of Risk/ Likelihood	Probable Impact	How it is handled/mitigated
Freight & Logistics (External)	**Price (Medium)**	• Freight cost effect is reasonable on income statement under the heads of cost of sales and marketing & sales. Freight is necessary component of transporting the finished goods to desired destinations including ports. • It is also an important factor for inward shipments.	• Freight costs are negotiated to get maximum advantage under the prevailing situation. • In case of ocean freights, deals are carefully handled at right time and monitored at levels.
	FX (Low) ***(Short Term Risk)***	In case of international shipments FX movement has a multiplying effect on freight price.	Freight deals are done in a way to incorporate the probable FX movement effect.
Local Currency Loans (External)	**Price (High)** **(Medium *Term Risk*)**	• During times of heavy loans (Long & Short terms) markup expense holds an important place in income statement. • Movement in KIBOR, discount rates, spreads could affect the financial cost of company.	• Loans are negotiated at best possible spread. • Movement of KIBOR and discount rate is monitored. • Strong credibility and financial strength gives advantage.
Foreign Currency Loans (External)	**Price (Low)**	LIBOR rate movement and spread are important factor in FCY loans.	• Loans are negotiated at best possible and competitive price. • Strong credibility and financial strength gives advantage.
	FX (High) **(Medium *Term Risk*)**	FX movement could cast an impact of reasonable size on income statement and cash flows.	• FX movements are monitored vigilantly. • Hedging the probable unfavourable movements.
Sales (Internal)	**Demand (Medium)** **(Medium *Term Risk*)**	• Local demand can affect the sale of cement considerably. • Demand in exports areas can also change the top line.	• Market dynamics are minutely considered all the time to devise the strategy. • New exports markets are hunted.

INITIATIVES IN PROMOTING AND ENABLING INNOVATION

DGKC takes following initiatives to boost innovation in business and encourages its employees to come up with new ways to improve products and processes:

- Regular workshops or occasional company away days to brainstorm ideas.
- Supportive atmosphere in which people feel free to express.
- Encourage risk taking and experimentation.
- Promote openness between individuals and teams.
- Delegation, teamwork and Job rotation.
- Reward innovation and celebrate success.
- Look for imagination and creativity when recruiting new employees.

BOARD'S EFFORT FOR DETERMINING LEVEL OF RISK TOLERANCE

The Board of Directors of DGKC is responsible for the risk management and determining the company's level of risk tolerance. The board regularly undertakes an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.

BOARD'S STATEMENT ON ROBUST ASSESSMENT OF PRINCIPAL RISKS

The Board of Directors has carried out a detailed assessment of risks facing the Company originating from various sources. The Board of Directors is satisfied with the Company's risk management practices and the mitigating strategies adopted to counter such risks. Directors' undertaking of such assessment has also been attached in Directors' report.

STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

The working capital and financing needs of the Company are managed through a robust treasury management system which ensures effective cash flow management while safeguarding against any related risks.

Cash flow management is achieved through effective forecasting and periodic evaluation of planned inflows in the form of turnover and investment income. Further, maturity profiles of assets and liabilities are regularly maintained and evaluated to ensure optimization of cash inflows and outflows as per expected business operation needs.

All debt repayments maturing this year were paid on their due time and there have been no defaults in repayment of any debt during the year.

CAPITAL STRUCTURE AND ASSESSMENT OF ITS ADEQUACY

The Company primarily intends to finance its capital requirement from the mix of long term debt and equity financing. However, working capital requirements are intended to finance through internally generated operating cash flows and short-term borrowings. It takes advantage of availability of finance at low rates due to its good reputation, integrity and history of timely payments. Healthy operating cash flows and prudent liquidity management aids the Company to maintain its adequate liquidity position. The Company believes that it is maintaining an optimal capital structure.

INTEGRATED RISKS INTO BUSINESS STRATEGY

DGKC has invested in maintaining a smooth flow of operations. The company has implemented a proactive approach to mitigate its risk of disruptions in the production process. Our production team is specialized in using various maintenance techniques such as predictive, preventive and proactive maintenance to keep in pace all the machinery and equipment for their adequate functionality and to increase cost effectiveness, machine uptime, and a greater understanding of the level of risk that the organization is presently managing. At DGKC, the mining, grinding, crushing and blending processes are strictly monitored by highly qualified specialists, to ensure that the best possible product is manufactured for our valued customer.

Corporate Social Responsibility and Sustainability

INITIATIVES TOWARDS CORPORATE SOCIAL RESPONSIBILITY

Being a part of one of the largest conglomerates in Pakistan, DGKC has always been a purpose driven Organization. We aspire to exceed the expectations of business goals and endeavour to fulfil sustainable social goals. This vision is demonstrated by our CSR wing which strives to improve the lives of people living in low-income communities with impact investments.

DGKC community engagement initiatives including social investments and business inclusive projects, combining financial and managerial resources to enrich lives and pave the way for sustainable living.

These initiatives are based on following pillars:

- Education and capability development for employability
- Sustainable and resilient infrastructure and mobility
- Charity, Social welfare and reduction of poverty from society
- Culture of environmental protection, health and safety
- Reduction of carbon footprints
- Job creation for local communities

DGKC is committed to being Socially Responsible in all its sites and undergoing the following activities:

Site	Education	Medical	Training and Jobs	Charity	Alternate fuel	Natural Calamity	Environment protection
DGP	✓	✓	✓	✓	✓	✓	✓
KHP	✓	✓	✓	✓	✓	✓	✓
HUB	✓	✓	✓	✓	✓	✓	✓

EDUCATION

Two schools at DG Khan Site are functional with the strength of 800+ students. In addition, School teachers have been provided by the company in nearby schools to overcome the shortage of teachers at DG.Khan Site. The students who got education at DG Khan Site have now become a responsible citizen of Pakistan, giving valuable service to society.

At Khairpur site, technical support to the students of Training Centre, Katas are being provided on regular basis. We provide internship opportunities to students and university graduates. We also collaborate with universities to carry on applied research projects in the field of engineering and specialized sciences. During the year, we donated to Special Education School, Kallar Kahar and announced merit-based scholarships of some students for the better future of handicapped children. We also invested millions of rupees for construction for Dalaipur Boys School, Khairpur.

At HUB site, DGKC held a ground breaking and donated Rs 10 million to initiate the construction of Citizen foundation school spread over 8 kanal. Objective is to provide free education to the children living in surrounding areas same as being provided in other two schools.

MEDICAL

Medical services to local community are being provided by establishing free dispensary at sites where around 10,000 patients are managed yearly under the supervision of qualified doctors, lady doctors and Nursing staff. Free factory ambulance services, medicines and lab test facilities are available for local patients 24/7 in case of emergencies.

TRAINING, JOB AND CAPACITY DEVELOPMENT

DGKC creates job opportunities for the local community and provides the platform to train technical staff at all levels particularly to fresh diploma holders and graduate engineers. Majority of unskilled labour is engaged from the local population. Various awareness trainings have also been conducted by DGKC Safety department as well as organized through Rescue 1122, Motorway Police and Civil Defence department for capacity building and knowledge enhancement of general public awareness regarding safety measures.

CHARITY

At DG Khan site, two new water filtration plants were installed in D.G. Khan District for adjoining community. In addition, water is supplied to thousands of people daily through the company's water pipelines and water tankers. We have also installed solar operated water pumps in Tribal Area to address the water problems of the local community. Three Food Points "Langar Khanna" have been established where food is being provided to deserving locals on daily basis. DGKC provides food to needy and poor people of adjoining areas. During the year, Residents of Tribal Area living near Quarry and Long Belt Conveyor are provided free transportation facility in company's buses deputed for conveyance of employees.

In this difficult time of floods, DGKC, under spirit of 'Mawakhaat', is supporting its brothers and sisters adversely affected by recent floods across Pakistan. Food items and tents worth millions of Rupees have been provided to the flood affectees.

At Khairpur site, one water filtration plant was installed to provide water to adjoining communities. In this connection company has incurred Rs.20M at its KHP site to ensure clean drinking water is being provided to the locals in surrounding areas.

At Hub site, DGKC donated for construction of pump for 5.5 KW Solar plant at Ramzan Goth. Donations were also made for Annual Convention of Jamia Qasim-Ul-Aloom, Bhawani and mosque at RCD highway.

SUPPORT TO LOCAL ADMINISTRATION

At DG Khan site, We undertake repair/ maintenance of 25 KMs long road which joins plant site with Indus Highway, this road is beneficial for thousands of locals. The company also undertakes repair work of tracks used by the locals in the Tribal Area on required basis.

In order to improve the law and order situation in the area, recently two police posts have been constructed by the company on Factory Road at DG Khan site which are very helpful in reducing the criminal activities in the area. We also provided financial assistance to District Administration for organizing National Volley Ball Tournament and Sports Festival at DG Khan in order to provide healthy entertainment to local community.

At Hub site, maintenance for vehicles and ACs were provided for district commissioner office and library.

ENVIRONMENT AND ALTERNATE FUEL

This year, DGKC replaces the use of expensive imported coal, to some extent, with the waste collected from the city and imported tyres. Usage of alternative fuel not only helps to get rid of different types of Industrial, agriculture, and municipal wastes but also reduce production costs and save valuable foreign exchange reserves. In line with same strategy, WHR power plants have also been installed at all sites that reduce carbon foot prints and save valuable power costs.

To align with “Go Green” slogan, Company is planning to invest in on-grid solar power plant of 6.9MW at its site in Khairpur and plans to install 6MW each solar power plant at its site DG. Khan and HUB. Management has also decided to install necessary Plant & Machinery for processing of Alternative fuels at our new Cement plant at Hub site in addition to its DG site and KHP site in which Tyres may be mixed with coal or other fuels to be burned in concrete kilns.

Regular campaigns are also run for environment protection in adjoining areas. During the year, plantation drive at all sites was conducted and thousands of plants were provided to the local municipal committee in line with the previous Government initiatives of “Billion Tree Tsunami”. Heavy machinery was provided for cleaning of Manka Canal which is running in the center of DG Khan city. Mini Loaders/ Loader Rickshaws worth millions of rupees were provided to the District Administration which are being utilized for the cleanliness of the city.

NATURAL CALAMITY AND DISASTERS

Free fire-fighting service is available for nearby areas in case of extreme emergencies. DGKC also provides facilities in the shape of equipment and manpower to combat natural disasters such as flood and earthquake etc.

COMPLIANCE WITH CSR GUIDELINES, 2013 ISSUED BY SECP

DGKC is committed to promote the development and implementation of a framework for CSR initiatives and determined to strive and work in cooperation with stakeholders for implementing a transparent and socially responsible strategy.

CSR initiatives endorsed by the top management reflecting their understanding and commitment to CSR, thereby ensuring that:

- CSR practice is incorporated into the vision, code of ethics and business plan/strategy of the company
- Guidelines, processes and systems exist to support the CSR initiatives by the Company and the philosophy is to be incorporated into ethical values of the Company
- Defining objectives for carrying out CSR activities and setting targets for these objectives
- Determining the working model and devising action plan (time, resources, budget)
- Delegating responsibility and management of resources with respect to CSR guidelines
- Sensitization and training of the senior management and employees for implementation of CSR targets
- Mechanism for stakeholder engagement prior, during and on conclusion of CSR plans
- Periodic monitoring and evaluation of CSR activities
- Disclosure and reporting of CSR achievements
- Recognizing and documenting the shortfalls/failures
- Incorporating improvement in future CSR policy/plans

Areas of interest and initiatives in this regard have been thoroughly explained in “Initiatives Towords Corporate Social Responsibility Section” reflecting our compliance with the CSR guidelines, 2013 issued by SECP.

SUSTAINABILITY AT DGKC

Sustainability is one the most important strategic priorities and is present in every aspect of our business. For this reason, our executive team evaluates and guide to the board members regarding DGKC's efforts to achieve the following goals:

- Integrate sustainable development into our short- and long-term strategies
- Ensuring sustainable growth policies and practices
- Endorse our Sustainability Model, priorities and KPIs
- Evaluate the effectiveness of sustainability initiatives and their implementation
- Provide guidance to the executive board members on strategic sustainability decisions

ESG - SUSTAINABILITY MODEL

The model has three objectives organized into environmental, social, and governance pillars, as well as 19 main priorities to integrate sustainability into every aspect of the business.Guided by this model, we focus our efforts and resources on issues relevant to our business and stakeholders.

- Net-Zero CO_2
- Circular Economy
- Biodiversity Conservation
- Preserving Water
- Air Quality & Environmental Excellence
- Sustainable Products & Solutions

- Health & Safety
- Respect of Human Rights
- Community Development for Employability
- Just Transition, Shared Value & Social Innovation
- Diversity, Equity & Inclusion
- Workforce Experience

- Board Composition & Management
- Disclosure & Transparency
- Ethics & Compliance
- Customer Centricity
- Responsible & Green Procurement
- Risk & Opportunity Management
  SDG aligned Corporate Finance

SDG- Sustainable Development Goals

At DGKC we recognize the importance of sustainability and has made it our priority. Our businesses has embeded the sustainability throughout in organization in order to achieve real results. The UN 17 SDG- Sustainable Development Goals (a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity) are:

At DGKC , We actively persue UN Sustainable Development Goals (SDGs) and we continued to align our practices to meet the Global goals by 2030. We have defined a new set of ambitions with a 2030 vision that strengthens our commitment to building a better world and helping to alleviate some of the most significant challenges communities face today and until today we are committed to integrate below stated SDGs (relevant to our business process) into our business and have developed strategies accordingly:

Sustainablity targets	SDG Reference	Our Strategy
Carbon Footprint	SDG-13	We have focused on reducing our emissions, increasing energy efficiency in our operations, using lower emission alternatives to traditional fossil fuels, decreasing our clinker factor and promoting renewable energy. To reduce carbon foot prints and save valuable power cost: -We have Installed WHR plants (waste heat recovery) that use waste heat from kilns and convert this to power thereby reducing consumption of fossil fuels. - We have planned to invest in On- Grid solar power plants at all sites.
Waste to Fuel	SDG-7	Utilization of waste from other industries as a source of energy –we're contributing to a circular economy. For this DGKC has already installed : - Refuse-derived fuel Plants as an alternative energy source to produce energy from various types of waste such as municipal solid waste, industrial waste or commercial waste. - TDF Tyre-dervided fuel plant at its KHP and DG sites and planning to install at HUB site as well in which Tyres may be mixed with coal or other fuels to be burned in concrete kilns. Usage of alternative fuel not only helps to get rid of different types of Industrial, agriculture, and municipal wastes but also reduce production costs in the times of global Commodity Super Cycle.
Enhancing Environmental Management	SDG-11	We are committed to doing whatever it takes to reduce our environmental footprint. As part of our ongoing efforts, we strive to: - Monitor major and minor emissions - Improve our measurement methods - Adapt to new and more stringent air emissions regulations, investing accordingly and executing required trainings - Go beyond local regulations and set ambitious targets for emissions mitigation DGKC is endeavoring to improve environment and the cleanliness of city. In this regard, thousands of trees are planted every year, heavy machinery was provided for cleaning worth millions of rupees were provided to the District Administration which are being utilized for the cleanliness of the city.
Water Resource Management	SDG-6 SDG-14	It is used in several stages during the production process of cement, ready-mix and aggregates as well as for cleaning plants, trucks and equipment. To protect this natural resource and help our business flourish, we work to increase our water efficiency and control our water waste.
Responsible Consumption	SDG-12	we seek gradually to implement the system "3 R's of Environment": **Reducing, Reusing, and Recycling** to manage effectively the resources we use to do our work.
Reduce Inequalities	SDG-10 SDG-5	The company ensures no discrimination on grounds including gender, race, ethnic origin, religion.
Education and Health	SDG-3 SDG-4	In addition to existing running schools and hospitals we are planning to add on more schools around the site areas to provide free education and health facilities.
Poverty Reduction and Skills Development	SDG-1 SDG-2	We are focused to create job opportunities for the local community and provides the platform to train technical staff at all levels particularly to fresh diploma holder and graduate engineers. In this way, we will empower the new generation to stand on their feet and contribute in the development of country.

* Our CSR section confirms our above Strategies into Action.

Certification & Accreditation


Lloyd's Register

Certificate of Approval

This is to certify that the Management System of:

DG Khan Cement Company Limited

44 Km, Main RCD Road, Hub Balochistan, Pakistan

has been approved by Lloyd's Register to the following standards:

ISO 14001:2015

Luis Cunha


Lloyd's Register

Certificate of Approval

This is to certify that the Management System of:

DG Khan Cement Company Limited

44 Km, Main RCD Road, Hub Balochistan, Pakistan

has been approved by Lloyd's Register to the following standards:

ISO 9001:2015

Luis Cunha


Lloyd's Register

Certificate of Approval

This is to certify that the Management System of:

DG Khan Cement Company Limited

Khofli Sattai, Dera Ghazi Khan, Pakistan

has been approved by Lloyd's Register to the following standards:

ISO 14001:2015, ISO 9001:2015

Luis Cunha


Lloyd's Register

Certificate of Approval

This is to certify that the Management System of:

DG Khan Cement Company Limited

ISO 14001:2015, ISO 9001:2015

Luis Cunha

Governance

Profiles of Directors & Management

Mrs. Naz Mansha
Director/Chairperson

Mr. Khalid Niaz Khawaja
Director/Independent

Mrs. Naz Mansha has over 35 years' experience as a Director on the Board of different companies. She has been associated with D. G. Khan Cement Company Limited (DGKC) since 1994, She is also a Chief Executive of Nishat Linen (Private) Limited, a subsidiary of Nishat Mills Limited and Director/Chief Executive of Emporium Properties (Pvt) Limited, Director on the Board of Golf View Land (Pvt) Limited and Adamjee Life Assurance Company Limited.

Mr. Khalid Niaz Khawaja is a Fellow of Institute of Bankers, Pakistan. He has more than 48 years experience to work in different capacities in banking industry. He is also CEO in one of the leading leasing companies. He had been on the board as a director on the leading institutions Including Lahore Stock Exchange Limited.

Mr. Raza Mansha
Director/Chief Executive Officer

MR. USAMA MAHMUD
Director/Independent

He is a graduate from University of Pennsylvania. He has rich experience of about 27 years in business management, corporate strategies, commercial insights and project management. He is a visionary man and the success of DGKC is a witness to his business intelligence.

He is also on top executive post along with directorship in Nishat Paper Products Company Limited, Nishat Developers (Private) Limited.

He has also served in Information Technology Committee, Business Strategy & Development Committee and HR&R Committee in MCB.

He is also a director in MCB Islamic Bank Limited, Nishat Hotels & Properties Limited, Nishat Dairy (Private) Limited, Nishat Agriculture Farming (Private) Limited, Euronet Pakistan (Private) Limited, Nishat (Raiwind) Hotels & Properties Limited and Nishat (Aziz Avenue) Hotels & Properties Limited, Hyundai Nishat Motors (Pvt.) Limited and Nishat Agrotech Farms (Pvt) Limited.

Mr. Usama graduated from University of Pennsylvania (UPenn) with a B.S.E. in Bioengineering and a Masters in Public Administration. He is a seasoned professional with cross-cutting experience of working in both public and private sectors. His areas of expertise include management consulting, technical assistance, policy development and project implementation. He has also worked with international organizations such as DFID, UN, and the World Bank. Usama has spearheaded large scale initiatives and reform programs, such as the education reforms in Punjab. He serves as the Director of Delivery Management Consultants (Pvt) Limited.

Mr. Mahmood Akhtar
Director/Non-Executive

Mr. Shahzad Ahmad Malik
Director/Non-Executive

Mr. Mahmood Akhtar holds an MBA degree from Punjab University and has over 39 years of managerial experience spread across various industries. He also serves on the Board of Lalpir Power Limited, Nishat Mills Limited, Nishat Power Limited, Security General Insurance Company Limited, Nishat Hospitality (Pvt) Limited, Nishat Paper Products Company Limited, Nishat (Aziz Avenue) Hotels and Properties Ltd and Nishat Commodities (Pvt) Limited.

Mr. Shahzad Ahmad Malik has been associated with Nishat Group since 1998. Before joining the Group, he served as a Deputy Director in the Pakistan Audit and Accounts Service, Government of Pakistan. He has a degree in Civil Engineering and later on did his MBA from Lahore University of Management Sciences. He is also a Director on the Board of Nishat Power Limited.

Mr. Farid Noor Ali Fazal
Director/Executive

He holds a bachelor degree in Commerce, Law and Management. He has vast experience of about 47 years in marketing, selling, logistics and administration. He started his career in 1967 with Fancy Group of Companies and later served as Marketing Manager of Steel Corporation of Pakistan before moving to Middle East in 1976. He remained associated with the cement and steel sector in Middle East for more than a decade where he served in various companies mostly as General Manager (Sales & Marketing).

He later moved to Houston, Texas, USA in 1987 where he successfully managed his entrepreneurial venture for next eleven years before returning to Pakistan and joining DGKC in 1998. His vast experience, leadership traits, business acumen, people skills and dedication to work have been key elements of his success in the role and he has contributed incredible expansion in the market share of DGKC locally and specially internationally as well.

Apart from Executive Director's (Sales & Marketing) day to day operational activities, he is currently Senior Vice Chairman of All Pakistan Cement Manufacturers Association (APCMA) and has also served as its Acting Chairman in 2002. Moreover, he serves on boards of Directors of Nishat Papers Products Company Limited (NPPCL) and Nishat Mills Limited as well.

Dr. Arif Bashir
Director Technical & Operations

Dr. Arif Bashir holds a Ph.D. degree, by profession he is Chemical Engineering. He joined cement sector in 1983. During his career spanning over 40 years, he has proven himself in technical, managerial and research areas.

He has vast experience in the fields of chemical engineering, energy conservation, environmental studies, alternate fuels, renewable energy (biomass, solar & wind), project planning, execution and monitoring, operation and maintenance. He possesses good skills to develop and train technical teams having special interest in the field of applied engineering research.

He represented Pakistan on various national and international conferences. To his credit are number of international research publications. He is also associated with educational institutions as examiner and active member of board of studies. He supervised university students in applied research projects leading towards the degree of Ph.D.

He is pioneer in conversion of domestic cement industry from furnace oil to coal and alternate fuels firing that has changed the entire structure of Pakistan Cement Industry.

He is associated with DGKC since 1993, where he oversaw the expansion of plants and setting up of three new cement production lines with number of optimizing projects. In 2004, he was given challenging responsibility to set up state of the art greenfield 7000 tpd Khairpur project which was successfully completed in 2007. In 2011 he was posted on the top technical post of the Company as Director (Technical & Operations). He was also heading technical team who completed Pakistan largest 10,000 tpd Cement project in 2018 at Hub, district Lasbela Balochistan.

His technical expertise and leadership have been instrumental in vertical growth of the Company. He played a pivotal role in training and development of skilled professional team of engineers and technicians. He also serves on the boards of directors of Pakgen Power Limited and Nishat Paper Products Company Limited.

Mr. Khalid Mahmood Chohan
Company Secretary

He is a Commerce graduate. His experience tenor is about 39 years. His fields of expertise include income tax, corporate matters and secretarial practices.

He is Company Secretary of various companies in Nishat Group.

Mr. Inayat Ullah Niazi
Chief Financial Officer

He is a Commerce Graduate and C.A. Inter. His experience spans about 38 years, through out with DGKC. He supervised the financial matters related to expansion of DG Plant. He also oversaw critical financing arrangements for installation of new plants at Khairpur (2007) and Hub (2018). His expertise is in accounts, tax, audit, finance, treasury, budget and planning. He remained a crucial negotiator and dealer in transactions with international financial institutions, development institutions and export credit agencies.

He has served as director of Lahore Stock Exchange, National Clearing Company of Pakistan Limited and LSE Financial Services Limited. He is also CFO of Nishat Paper Products Company Limited.

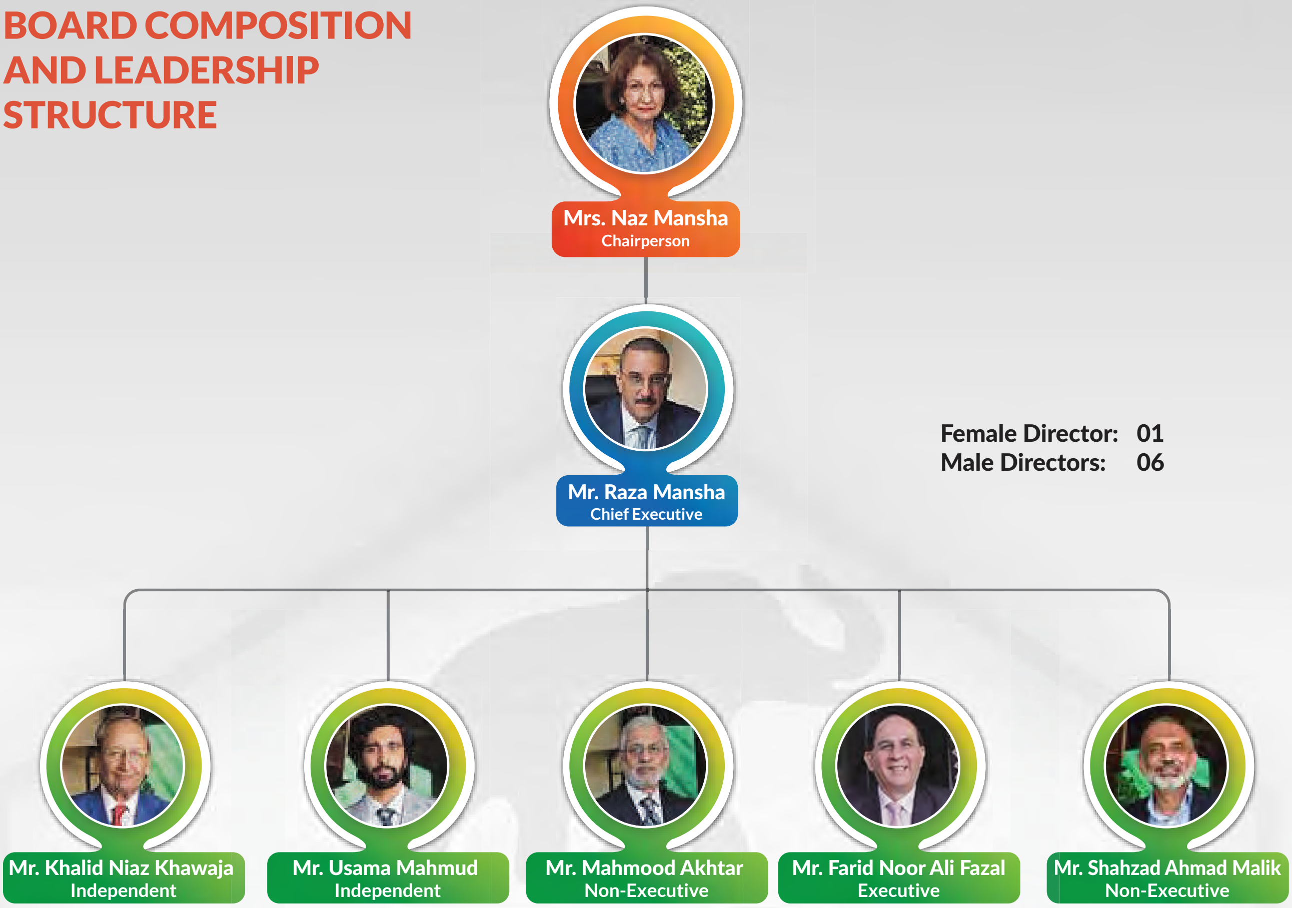
He is also serving as a director in Security General Insurance Company Limited, Nishat Hotels & Properties Limited, Nishat (Aziz Avenue) Hotels & Properties Limited, Nishat (Raiwind) Hotels & Properties Limited, Nishat Energy Limited, Lalpir Power Limited and Pakistan Aviators and Aviation (Private) Limited.

Mr. Nauman Yaqoob
Chief Information Officer

He holds Bachelors and Master's degree in Information Technology (IT) from Preston University. He has experience of over 28 years in different areas of IT including ERP, Software development, Network communication, Data Centers, Security and BMS. He also has many international affiliations and certifications. (CISCO, Microsoft, Oracle, Dell, IBM, Honeywell, Bosch etc.)

He started his career in 1994 from DGKC. After 13 years with Nishat Group, he moved to work at different positions in Government of Pakistan & Punjab's departments up to "BPS-20" (Expo Center Lahore, Punjab IT Board, TEVTA, Home department, ZTE Telecomm). He is one of the pioneers behind the concept of "E-Governance" in public sector enterprises and transform and implement the technology of Punjab Prisons, Forensics and Securities.

BOARD COMPOSITION AND LEADERSHIP STRUCTURE



Female Director: 01
Male Directors: 06

INDEPENDENT DIRECTORS - BASIS FOR INDEPENDENCE

Independent director means a director of company, not being a whole time director and who is neither a promoter nor belongs to a promoter group. Here, promoter means a person or persons who are in over-all control of a company. Mr. Khalid Niaz Khawaja and Mr. Usama Mahmood do not bear any executive role nor in any way related to the promoters. They are acting as an independent director in accordance with code of corporate governance rules.

DIVERSITY IN THE BOARD

Our Board diversity aims to cultivate a broad spectrum of demographic attributes and characteristics in the boardroom. We promote heterogeneity in the boardroom. All seven board members depict a true blend of diversity in form of skills, exposure, expertise, knowledge, age and experience.

CHAIRPERSON'S SIGNIFICANT COMMITMENTS

Ms. Naz Mansha is committed to principles of good corporate governance consistent with prudent management and enhancement of shareholders' value based on her vast experience. She is also a Chief Executive of Nishat Linen (Private) Limited, a subsidiary of Nishat Mills Limited and Director/Chief Executive of Emporium Properties (Pvt) Limited and Director on the Board of Golf View Land (Pvt) Limited and Adamjee Life Assurance Company Limited.

ANNUAL EVALUATION BY EXTERNAL CONSULTANT

No annual evaluation is carried out by external consultant during the year.

BOARD MEETINGS HELD ABROAD

Since all the directors of the Company are based in Pakistan, no meeting of the Board of Directors of the Company was held abroad.

Chairperson's Review Report on Board Performance

The Board of D.G. Khan Cement Company Limited is comprised of:

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

The board is responsible for the overall management of the Company. Being the highest management platform in the Company it devises all strategies and policies. The board itself is governed by the statute and Company's Articles and its duties, obligations, responsibilities and rights are as defined and prescribed therein.

The Board is comprised of competent and able persons having vast and rich experience in business world.

During financial year 2022 the BOD met four times. The board itself is compliant with all the regulatory requirements and acted in accordance with applicable laws and best practices.

The board closely monitored the performance of its committees and management. The board also interacted with internal and external auditors. The board held extensive and fruitful discussions to arrive at decisions. The board ensured integration of all policies and convergence to Company's vision and mission. The board ensured compliance with all applicable rules and best practices.

The Board evaluated its own performance and its committees in order to facilitate and enable the Board members to play an effective role as a coordinated team for the ongoing success of the Company.

The Board also ensured:

- Producing quality products;
- Act with Good Governance;
- Sustainable and equitable growth;
- Promotion of diversity and ethical behavior;
- Development of dynamic team of professionals to achieve excellence and innovation.

During the year under review the board reviewed and/or approved among other things:

- Business strategies, risks and plans;
- Internal controls;
- Budget including capital expenditure;
- Quarterly and annual accounts;
- Internal audit report;
- Audit committee reports and finding;
- Recommendation for appointment of external auditors; and
- Bank borrowings.

Naz Mansha

Naz Mansha
Chairperson

Lahore
September 13, 2022

BOARD GOVERNANCE FRAMEWORK

ROLE AND RESPONSIBILITIES OF BOARD

DGKC's Board of Directors is fully cognizant of its roles and responsibilities towards the Company's esteemed shareholders.

Its primary aim is to enhance shareholders' value in a transparent and efficient manner. The Board exercises responsibilities conferred to it in the Company's governance framework which exceeds the requirements of the regulatory framework.

The Board exercises all its powers with responsibility, diligence, and in compliance with the legal framework after due deliberations. These include but are not limited to:

- Appointment of key management positions;
- Approval of quarterly and annual accounts of the company
- Review of key risks facing company
- Approval and periodic reviews of annual budget;
- Review of business performance, including key business indicators for sales, cost optimization, profitability and sustainability
- Review of company's cost optimization plans
- Monitoring and review of governance practices;
- Review of the investments in subsidiaries and associates.
- Review of Key Judgement Areas and provide guidance to the management wherever required

BOARD'S ANNUAL EVALUATION OF PERFORMANCE

As required by the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board of DGKC reviews its own performance annually and undertakes a formal process of self-evaluation of performance of the Board and its committees. The Board has recently completed its annual self-evaluation for the year ended June 30, 2022, regarding which a report by the Chairman on Board's overall is also attached with this Annual Report. For the Purpose of Board evaluation, a comprehensive criterion has been developed which are based on the following parameters.

- Effective leadership and planning
- Ethics and compliance with laws
- Accountability and reviews
- Formulation of strategy and resource allocations
- Robust and sound risk management

ROLE OF CHAIRPERSON AND CEO

The Chairman is responsible for leading the Board and focusing it on strategic matters, overseeing the Company's business and setting high governance standards. She plays a pivotal role in fostering the effectiveness of the Board and individual Directors.

The CEO is responsible for the day-to-day leadership and management of the business, in line with the strategic Framework, risk appetite and annual and long-term objectives approved by the Board.

DIRECTORS' FORMAL ORIENTATION COURSES

The Company has made sufficient arrangements to carry out orientation sessions for their directors to acquaint them with company's operations, applicable laws and regulations and their duties and responsibilities in order to enable them to effectively govern the affairs of the company on behalf of shareholders. Non-executive directors are provided with exposure to operating management of the Company on a regular basis throughout the year. Moreover, non-executive directors may elect to contact any employee, customer, advisor or supplier of the Company.

DIRECTOR'S TRAINING PROGRAM

In compliance with regulatory requirements, the Board members are appropriately certified/exempted under the Directors' Training Program from SECP approved institutions.

EXTERNAL OVERSIGHT FUNCTIONS AND MEASURES

The Board places great emphasis on transparency, accountability, good governance and safeguarding the interest of the stakeholders. DGKC has not only well-articulated internal control and systems in place within the company but also emphasized on various external oversight functions to enhance the credibility of the information provided to stakeholders. These are:

- External audits of statutory accounts
- Cost Audit on annual basis
- Internal audit on regular basis
- ERP system audit by external auditors

RELATED PARTIES TRANSACTIONS AND POLICY IN RESPECT OF SUCH TRANSACTIONS

All transactions with related parties arising in the normal course of business are carried out on an unbiased, arm's length basis at normal commercial terms and conditions, under the Company's Related Party Policy developed in accordance with the law.

In compliance with the regulatory requirements, all related party transactions are placed before the Audit Committee for review and recommendation to the Board of Directors at the end of each quarter. The same are then considered and approved by the Board keeping in view the Committee's recommendations. Any transactions where majority of the directors are interested, are referred to the shareholders in General Meeting for approval.

Details of all related party transactions have been appropriately disclosed in Notes to the Financial Statements.

BOARD'S POLICY ON GOVERNANCE OF RISK AND INTERNAL CONTROL

The Company has developed a mechanism for identification of risks and assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review.

The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function. The Internal Audit function is responsible for providing assurance on the effectiveness and adequacy of internal control and risk management framework in managing risks within acceptable levels throughout the Company. The Company's approach towards risk management has been disclosed in the Risk and Opportunity section of this Report.

DIVERSITY IN CULTURE

DGKC is committed to developing a workplace that is inclusive for all, regardless of race, gender, age, sexual orientation, disability, or nationality. Diversity and inclusion is a part of who we are, how we lead and what we believe in.

POLICY FOR DISCLOSURE OF CONFLICT OF INTEREST

No director of the Company shall take part in the discussion or vote relating to contract or agreement where they are concerned or interested. Where majority of directors are interested, the matter is laid before the General meeting for approval.

POLICY FOR RUMENERATION OF NON-EXECUTIVE AND INDEPENDENT DIRECTORS

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

BOARD FEE ON ACTING AS NON-EXECTIVE DIRECTOR IN OTHER COMPANIES

The Company will not pay any remuneration to its directors acting as a non-executive director in other group companies. However, they are entitled to get meeting fee on attending the Board and its Committee meetings, which of course shall be borne by the company in which they are acting as a non-executive director.

SECURITY CLEARANCE OF FOREIGN DIRECTORS

Since all member of board of directors are Pakistani, there is no need for security clearance.

SPEAK UP (WHISTLE-BLOWING POLICY)

At DGKC, any employee who suspects a wrongdoing at work, is strongly encouraged to report such wrongdoing through the whistle blowing procedure.

Policy and Procedures

DGKC whistle-blowing policy (Policy) gives employees (and people working with DGKC), trust and confidence in how their concerns will be treated. The whistle blowing policy allows employees to report their concerns on any breach of the Code of Conduct . The actions that can be reported include:

- Criminal Acts
- Putting Health or Safety at Risk
- Environmental Damage
- Bullying or Harassment
- Accounting Malpractices
- Failing to Comply with Legal Obligations
- Concealing any of the above activities.

The Policy through the procedures set out therein, ensures highest level of confidentiality for the whistle blower and the investigation process. Additionally, in order to encourage people to speak up, the Policy also mandates no reprisal against the whistle-blower, who may also report the concern anonymously.

Procedures for raising concerns are provided below:
Informal reporting: Voice concern with line manager or any other senior manager.

Formal reporting: Report the matter formally for investigation with line manager or any of the designated officer either verbally or in writing.

Designated Officer: Referred to by the individual directly or by the line manager for investigation but matter is kept confidential.

Anonymous reports: Individuals may wish to raise concerns anonymously.

Reporting a wrongdoing: If you have a concern you wish to raise, you may write to any of the Designated Officers or contact them via telephone or fax. The designated officers are:

- Director Marketing
- Chief Financial Officer
- GM HR & Admin

All employees of DGKC are made aware of this Policy and the safeguards it provides to the whistle-blower.

HUMAN RESOURCE MANAGEMENT POLICY

DGKC believes that employees are assets of the Company and have been instrumental in driving the Company's performance year on year. Their passion, commitment, sense of ownership and team work has enabled the Company to maintain its leadership position in the challenging market scenario. The Company has always striven to offer a positive, supportive, open and high performance work culture where innovation and risk taking is encouraged, performance is recognized and employees are motivated to realize their true potential.

It is not only the employees who are important to DG. For us, the extended 'DG Family' that includes the family members of our employees is also critical to our success. It stems from the belief that a happy employee at work is the one who is happy back home. And hence, we aim to raise the happiness quotient of the families of our employees as well.

Recruitment and Selection

We at DGKC believe in hiring and retaining capable, qualified and potentially useful employees who are willing to contribute their best to accomplish the objectives of the Company. Appointments of jobs in the permanent cadre are made by promotions or through direct recruitment by the concerned appointing authority through the HR department.

Development and Training

Employees' development and capability building across functions and levels remained a key focus area to build a strong talent pipeline. The Company is committed to invest in enhancing its human capital through building technical skills and competencies of its employees. With the use of performance management processes, the Company aims to ensure that all employees know what is expected of them and possess the necessary skills, knowledge, values and experience to achieve the highest level of performance to their true potential.

Reward and Motivation

It is our policy to reward the employees with fair and competitive salaries and perks along with an opportunity to share in the success of the business in terms of promotions and personal growth. All the elements of the reward system are designed to support the achievement of the desired behaviour, values and standards as well as high performance and continuous improvement/development.

Equality, Diversity and Dignity at Work

Our employment policies are based on the principles of equality and diversity. We believe that the elimination of unfair discrimination in the workplace contributes to productivity and performance as it allows employees' talents to be most effectively realized. We are committed to dignity at work and fair treatment of all colleagues. The Head of Human Resource Department is accountable for ensuring that these principles are followed and for establishing appropriate action plans for their business.

Succession Plan

A succession plan is a component of good HR planning and management. Succession planning acknowledges that the staff will not be with an organization indefinitely and it provides a plan and process for addressing the changes that will occur when they leave. Keeping in view the need and importance of succession planning, the Company has formulated a comprehensive succession plan by focusing on all the key positions within the Company. The key positions can be defined as those positions that are crucial for the operations of the organization and which are hard to be replaced because of skill, seniority and/or experience requirements.

INVESTORS' GRIEVANCE POLICY (OPPORTUNITIES TO SHAREHOLDERS FOR PARTICIPATION IN AGM)

Investors' service is an important imperative for sustained business growth of an organization, therefore, the organization should ensure that investors receive exemplary service across different touch points of the organization. DGKC has developed an effective investor grievance policy to actively address and resolve the issues being faced by the investors and to fulfill the legal requirements. The Chief Financial Officer and Company Secretary of the Company are responsible for implementing the policy. The policy follows the following principles:

- Investors are treated fairly at all times;
- Complaints raised by investors are dealt with courtesy and in a timely manner;
- Investors are informed of avenues to raise their complaints within the Company, and their rights if they are not satisfied with the resolution of their complaints;
- Complaints are treated efficiently and fairly;
- The Company's employees work in good faith and without prejudice, towards the interests of the Investors.

During the current year no complaint has been received at our Investors' Inquiries & Complaint Cell.

SOCIAL AND ENVIRONMENT RESPONSIBILITY POLICY

For DGKC, reaching environmental excellence is a main objective. We dedicate significant efforts to address key sustainability-related issues, from biodiversity and conservation to renewable energy, climate change and emissions monitoring.

At DGKC managing our environmental footprint is an integral part of our business philosophy. We are fully committed to carrying out our business activities in an environmentally responsible and sustainable manner and to minimize the environmental implications of our activities.

To meet this, we:

- Actively pursue a policy of pollution prevention.
- Comply with Company policies and procedures and all applicable local laws and regulations. Make strategic efforts to maximize our energy and resource efficiency, lower our carbon intensity and reduce emissions by managing our usage of energy, water consumption and waste generation.
- Responsibly manage the land within our operations to protect ecosystems and biodiversity and to maximize our contribution to nature conservation.
- Maintain open and effective communication channels with our employees, contractors, customers, the community and all those who work with us.
- Provide the necessary resources for instruction, training and supervision to appropriately manage the environmental aspects of our operations.
- Plan, review and assess our environmental performance against measurable targets and industry best practices to drive continuous improvement.
- Investigate, monitor and openly report our environmental performance.
- Set corporate requirements to assess the sustainability attributes of our suppliers and subcontractors.

Everyone who works for the company is responsible for demonstrating correct environmental behaviors and reporting potential environmental risks, including among others employees, suppliers, contractors, third parties, and out-sourcing partners. Managers are accountable for clearly defining environmental roles and responsibilities.

We comply through following plan of actions:

- KPIs and standard protocols follow up
- Emissions monitoring and reporting
- Waste and water management
- Regulation updates, trends and new technologies
- Promotion of best practices throughout our operations

EMPLOYEE HEALTH, SAFETY AND PROTECTION

The discipline that goes into a safety program will spill over into production and quality control. People will be more aware of safety and how they do their jobs. We believe it will work to our benefit with production and quality.

As an employer, we identify hazards in our workplace and take steps to eliminate or minimize them. We have developed a safety plan to aware our employees what they will do to ensure their safety and what we expect from them.

Following initiatives are being taken to ensure employees health and safety, but not limited to:

- Regularly checking of all equipment and tools to ensure that they are well maintained and safe to use
- Proper training is made necessary for all employees, especially if where there is a risk for potential injury associated with a job.
- Even if an incident does not result in a serious injury, we conduct an incident investigation to help determine why an incident happened so we can take steps to ensure that it will not recur in future.
- Keep records of all first aid treatments, inspections, incident investigations, and training activities.
- Awareness campaign of preventive measures against COVID-19
- Onsite gym, sports complex, swimming and other facilities for employee fitness
- Free dispensaries at sites
- Suitable medical policies in place to provide quality treatment to employees' in case of major or minor illness.
- Mandatory breaks and time-off

COMMUNICATION WITH STAKEHOLDERS

The Board places great emphasis on transparency and accountability to forfend the interest of the stakeholders. For this purpose, Board has directed the management to continuously engage with all stakeholders to address their concerns. Management is also asked to discuss any concern of great importance in the Board meetings and other relevant sub-committee meetings. To update with the stakeholders, management annually holds a Corporate Briefing Session to interact with stakeholders, respond their concerns and brief them on company's business plans. Company also invites its stakeholders at AGM to discuss annual financial performance of the company and other matters of great importance. Further, Company has also dedicated a team comprises of its senior management to deal with the grievances and concerns of its stakeholders. Different forms of stakeholders' engagement have been discussed in Stakeholders Engagement Section of annual report.

POLICY FOR SAFETY OF RECORDS

DGKC pursues an effective policy for the safety of its records to affirm its commitment to ensure that authentic, reliable and usable records are created, captured and managed to meet the standard of best practices and to meet the Company's business and statutory requirements.

The policy ensures that:

- A full and accurate record of the transactions of the Company is created, captured and maintained physically and in systems along with proper backup;
- Records are to be maintained in conditions suitable for the length of time to cater for the Company's needs and statutory requirements;
- Records and archives will be available within the constraints of security, confidentiality, privacy and archival access conditions;
- Records are destroyed or disposed of in accordance with the disposal policies, procedures and guidelines of the Company in accordance with law;
- Ownership of the records and archives is with the Company and not with an individual or any team.

BUSINESS CONTINUITY PLAN / DISASTER RECOVERY PLAN

Operational continuity is of paramount importance for the long-term success and viability of any Company. DGKC has developed business continuity plans which also provide a mechanism for disaster recovery in the respective areas. The Company has arranged the security of all the factory sites by hiring well-trained security personnel on its payroll. All the physical assets are properly safeguarded and insured. Back up of virtual assets such as IT programs and software are regularly arranged. Very efficient and effective firefighting systems have been in place at all our manufacturing facilities. Standard Operating Procedures for all the processes have been devised and documented according to the best practices prevailing in the industry. All transactions and affairs of the Company are properly documented; and these documents are appropriately preserved according to our Policy for Safety of Records.

IT GOVERNANCE AND CYBERSECURITY

BOARD GOVERNANCE FRAMEWORK OVER IT AND CYBER SECURITY

IT governance, otherwise referred to as "enterprise governance of IT" or "corporate governance of IT", is a focus area of corporate governance that is concerned with the organization's IT assets. In analogy to corporate governance, it is concerned with the oversight of IT assets, their contribution to business value and the mitigation of IT-related risks. Board has developed IT governance framework with the following stated objectives:

- Strategic alignment, with focus on aligning IT with the business and collaborative solutions
- Value delivery, concentrating on optimizing expenses and proving the value of IT
- Risk management, addressing the IT related business risks
- Resource management, optimising IT related knowledge and resources
- Performance management, monitoring IT enabled investment and service delivery

In the line of above stated objectives, the Board has developed IT Governance policy for the management to implement. The policy is continuously evaluated and discussed keeping in view rapidly changing IT environment and cyber risks.

THE EVALUATION AND ENFORCEMENT OF LEGAL AND REGULATORY IMPLICATIONS OF CYBER RISKS

Board is engaged in regularly monitoring & evaluation of legal and regulatory implications of cyber security risks, related threats, and process to implement formal SOC (Security Operation Center). Board members are also engaged in the approval of IT Budgets and major IT related capital expenditures for network upgradation and strengthening of cyber security system The Board also understands the implication of cyber security breaches. In this connection, under IT governance policy, the Company has taken sufficient measures to ensure its network security and has implemented stringent controls to protect its data privacy, compliance with legal and regulatory requirements of cyber security and continuously upgrades the systems. Company's CIO is empowered to enforce, evaluate and monitor this process on regular basis.

Statement of Board continuous evaluation of IT governance and cyber security (and its breaches) are elaborated in Board Audit Committee Report.

IT GOVERNANCE AND CYBERSECURITY PROGRAMS, POLICIES AND PROCEDURES

IT Governance Framework provides basis for IT Governance policy that also include cybersecurity and IT related risk management. The features of the policy are as follows:

- Establishing information technology goals, and the strategies for achieving IT related goals.
- Establishing principles and guidelines for making information technology decisions and managing initiatives.
- Overseeing the management of institutional information technology initiatives.
- Establishing and communicating organizational information technology priorities.
- Resource allocation plans for IT priorities.
- Use of ERP across all departments and reporting requirements.
- Determination of access levels at different positions and procedures to restrict those accesses.
- Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
- Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
- Regulatory and legislative requirements will be met, including record keeping.
- Disaster Recovery Plans and efficacy of its implementation.
- All breaches of information security, actual or suspected, will be reported to and investigated by the CIO / Internal Audit.
- The controls, rules and procedures for all individuals accessing and using an organization's IT assets and resource.

CYBERSECURITY AND BOARD'S RISK OVERSIGHT

Board actively oversights and understands emerging and constantly changing legal and regulatory environments. They address knowledge gaps and support proposed measurements to fulfill the requirement to protect business interests from current and future threats. The Company's CIO regularly apprises the Board of Directors on overall performance / evaluation of IT infrastructure

COMMITTEE TO OVERSIGHT IT GOVERNANCE AND CYBERSECURITY MATTERS

Company holds 2-3 meetings annually comprising of Key Management Personnel, CIO and one executive director with an agenda of new developments, network upgradation, security risks, network, and system-level challenges and resolution strategy and approvals for the implementations of new tools and enhance security level over enterprise level. The recommendations from this committee is presented to Board for further approvals or additional line of actions. This management committee is further tasked with apprising the Board about new and potential IT risks, their likelihoods and measures to address them

DISCLOSURE RELATED TO COMPANY'S CONTROLS ON EARLY WARNING SYSTEM

To identify, assess, address, and make timely communications to the board about cybersecurity risks and incidents, your company has adopted following measures:

- Implemented a third-party vigilance system that filters the spam traffic for the internet and exchange as well.
- Spam emails/activities are being monitored through SEIM as well.
- Phishing attacks are being in control with strict password changes and no default password policy.
- Access Management is also implemented in a very controlled manner.
- BYOD is strictly prohibited in organizations.
- To monitor Physical Security, deployment of security appliances is in the implementation process with 24/7 surveillance.
- To secure Endpoints, external devices are prohibited to connect on LAN and four-level defenders /firewalls are implemented.

Any breaches to the system and above protocols are thoroughly monitored and investigated and can be marked as 'early warning sign' of any major threat; its magnitude and response are assessed and if necessary, presented to Board for any policy action.

POLICY RELATED TO INDEPENDENT SECURITY ASSESSMENT OF TECHNOLOGY ENVIRONMENT

Apart from the compliance with defined security policies and procedures, a third party independent assessment and review related to:

- Technology environment and networks are carried out By CNS Engineering Services
- ERP is carried out by SCARLET Systems and PwC (as part of external audit).

Both are carried out annually to ensure that adequate controls are in place to address the cyber security risks. These reviews related to risk assessments remain under observation from time to time as soon as some new vulnerabilities related to systems come to notice

CONTINGENCY AND DISASTER RECOVERY PLAN

Disaster recovery and various backup plans are in place to ensure continuity of company's business and to cope with the failures resulting into a cyber breach. Company's cyber insurance is under consideration. For Disaster Recovery, we have three levels of backups of data of users, systems, configurations, etc.

ADVANCEMENT IN DIGITAL TRANSFORMATION TO IMPROVE TRANSPARENCY AND GOVERNANCE

Industry 4.0 is revolutionizing the way companies manufacture, improve and distribute their products. Manufacturers are integrating new technologies, including Internet of Things (IoT), cloud computing and analytics, and AI and machine learning into their production facilities and throughout their operations.

This digital transformation offered by Industry 4.0 will allow DGKC to create digital twins that are virtual replicas of processes, production lines, Plants and supply chains. DGKC has deployed SSL certificated for web/Cloud traffic as we are using a hybrid solution and a complete cloud computing system is in process to transform company digitally.

EDUCATION AND TRAINING TO MITIGATE CYBER SECURITY RISKS

We encourage and monitor that User trainings are held regularly at all sites for development. In addition, Focused sessions are held for infrequent processes and complex occasional scenarios relating to cyber security on regular basis live and through video conference. Company also provides awareness related to emerging cyber threats is disseminated via emails to all Company users.

During the year, DGKC has also provided some specific training relating to cyber security to its employees from the NETCAD Academy (cyber security courses on the platform of a virtual university with an affiliation with Cisco) and some training courses from Udemy

Independent Auditor's Review Report on Statement of Compliance

TO THE MEMBERS OF D.G. KHAN CEMENT COMPANY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of D. G. Khan Cement Company Limited for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

A.F. Ferguson & Co.

A.F. Ferguson & Co.
Chartered Accountants
Lahore,

Date: September 20, 2022

UDIN: CR202210070mYJCsLEuX

Statement of Compliance

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company : D. G. Khan Cement Company Limited
Year ended : June 30, 2022

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

1. The total number of directors are Seven (7) as per the following:

   a. Male: 6
   b. Female: 1

2. The composition of board is as follows:

a) Independent Director	Mr. Khalid Niaz Khawaja Mr. Usama Mahmud
b) Other Non-executive Director	Mr. Mahmood Akhtar Mr. Shahzad Ahmad Malik
c) Executive Directors	Mian Raza Mansha Mr. Farid Noor Ali Fazal
d) Female Director (Non-executive Director)	Mrs. Naz Mansha

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The following Directors have either obtained certificate of Directors' Training Program or are exempted from the requirement of Directors' Training Program as per the Listed Companies (Code of Corporate Governance) Regulations, 2019:

   Mrs. Naz Mansha
   Mr. Mian Raza Mansha
   Mr. Farid Noor Ali Fazal
   Mr. Khalid Niaz Khawaja
   Mr. Shahzad Ahmad Malik
   Mr. Mahmood Akhtar
   Mr. Usama Mahmood

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The board has formed committees comprising of members given below:

a) Audit Committee
1. Mr. Khalid Niaz Khawaja (Independent Director) – Chairman
2. Mr. Usama Mahmud (Independent Director)
3. Mr. Mahmood Akhtar (Non-Executive Director)

b) HR and Remuneration Committee
1. Mr. Khalid Niaz Khawaja – (Independent Director) - Chairman
2. Mian Raza Mansha (Executive Director)
3. Mr. Shahzad Ahmad Malik (Non-Executive Director)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a) Audit Committee — 4 quarterly meetings
b) HR and Remuneration Committee — 1 annual meeting

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
    a. In respect of regulation 6(1), the Company believes that it has sufficient impartiality & is able to exercise independence in decision making within the Board and hence, does not require to roundup the fraction to 3 independent directors.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Requirement	Explanation for Non-Compliance	Reg. No.
1	**Representation of Minority shareholders:** The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No one has intended to contest election as director representing minority shareholders.	5
2	**Responsibilities of the Board and its members:** Adoption of the corporate governance practices.	Non-mandatory provisions of the CCG Regulations are partially complied.	10(1)
3	**Nomination Committee:** The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee.	29(1)
4	**Risk Management Committee:** The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the board has not constituted a RMC and the Company's Risk Manager performs the requisite functions and apprises the board accordingly.	30(1)

(Mian Raza Mansha)
Director/CEO

Naz Mansha
(Mrs. Naz Mansha)
Director/Chairperson

TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee. shall be responsible to recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the listed company in addition to audit of its financial statements and the Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise, it shall record the reasons thereof and approved the following terms of references of Audit Committee

(i) determination of appropriate measures to safeguard the Company's assets;
(ii) review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on,-

  (a) major judgmental areas;
  (b) significant adjustments resulting from the audit;
  (c) going concern assumption;
  (d) any changes in accounting policies and practices;
  (e) compliance with applicable accounting standards;
  (f) compliance with these Regulations and other statutory and regulatory requirements; and
  (g) all related party transactions;

(iii) review of preliminary announcements of results prior to external communication and publication;
(iv) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
(v) review of management letter issued by external auditors and management's response thereto;
(vi) ensuring coordination between the internal and external auditors of the company;
(vii) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
(viii) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
(ix) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
(x) review of the company's statement on internal control systems prior to endorsement by the Board and internal audit reports;
(xi) instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
(xii) determination of compliance with relevant statutory requirements;
(xiii) monitoring compliance with these Regulations and identification of significant violations thereof;
(xiv) review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
(xv) recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
(xvi) consideration of any other issue or matter as may be assigned by the Board;

TERMS OF REFERENCE OF HR & REMUNERATION COMMITTEE

TORs include:-

(i) Recommending Human Resource Management Policies to the Board.
(ii) Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer.
(iii) Recommending to the Board the Selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Financial Officer, Company Secretary and Head of Internal Audit.
(iv) Consideration and approval on recommendations of CEO on such matters for Key management positions who directly report to Chief executive officer.
(v) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Board Audit Committee Report

The Board Audit Committee (BAC) is governed by the mandate given to it vide Code of Corporate Governance and Board of the Company. It is vital platform to ensure transparency of company reporting and checking effectiveness in achievement of company objectives.

BAC assists Board in scrutinizing the financial and non-financial information and maintaining an independent check on activities of the management. It also provides a helping hand to Board in risk management, internal controls, compliance and governance matters.

BAC comprises of three members:

- Mr. Khalid Niaz Khawaja (Chairman / Independent Director)
- Mr. Mr. Usama Mahmud (Member/Independent Director)
- Mr. Mahmood Akhtar (Member/Non-Executive Director)

All the members have extensive knowledge and experience in the field of finance, accounting, controls, system management, reporting and compliance areas.

BAC considers information from various sources like reports from management, internal auditors' report, external auditors' report and any other source. BAC invites, questions and calls any person from management as and when required.

The terms of BAC are precisely defined by the Board. The Committee monitors including other things:

- Internal controls
- Risk management
- Integrity of financial information
- Internal audit report external report
- Audit observations
- Compliance with applicable laws
- Management's decisions conformity with the Company objectives
- Related Party transactions
- Assessing accounting & financial estimates, going concern assumption, changes in accounting policies and compliance with standards.
- Recommendation of external auditors appointment based on independence, integrity and satisfactory rating with ICAP

During FY22, BAC met four times. CFO and internal auditors were regular participants of the meeting. BAC also meets external and internal auditors independently once a year.

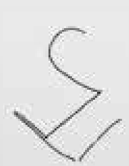
Committee reviewed the performance of internal auditor in relation to risk management and internal control. Committee also reviewed the arrangement for staff and management to report to the Committee in confidence, concerns, if any about financial irregularities and expressed satisfaction over it.

Committee also reviewed process of appointment of external auditor. External auditor, in addition to audit services, also provides taxation services to the Company. The committee, in line of international standards and local laws, expressed satisfaction over independence and objectivity of external auditor. Management also briefed audit committee about safeguards implemented by auditors and management to ensure independence.

Committee also reviewed IT Governance practices and instances of Cybersecurity breaches. Committee underscored that breach of cybersecurity may have implication for data authenticity and Company physical and virtual assets. CIO also apprised the committee about the controls in place and future plans in this regard.

The Board Audit Committee has reviewed the performance and operations of the Company for the year ended June 30, 2022 and reports that:

- Internal controls of the company are sound and are working properly;
- Departments of the company are working in line with company objectives;
- Records are maintained in accordance with applicable laws and regulations;
- Financial statements and annual report are fair, balanced, understandable and are in conformity with applicable laws and regulations;
- Code of Corporate Governance is followed;
- Being at arm's length, related party transactions are recommended to the Board for approval;
- Self-evaluated its own performance and expressed satisfaction over it.
- Inquired about any whistle-blowing incidentces reported during the year and investigated the instances.
- Recommended the present auditors, M/S A.F. Ferguson & Co. Chartered Accountants, for reappointment for year ending June 30, 2023



Khalid Niaz Khawaja
Chairman Board Audit Committee

Lahore
September 13, 2022

BOARD DISCLOSURE ON COMPANY'S USE OF ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE

How ERP system of DGKC integrated the business processes

Company's Oracle ERP is the core back-office application for the company. ERP department has not only scaled up the application through upgrades but have also extended transformation towards paper-less data storage, human resource management system, digitalization of payment procedures, advanced procurement techniques and customers management within the ERP system.

Management support in the effective implementation and continuous updating

ERP has full support of the management in terms of resources required and emphasis on use of the system. System is kept updated through regular upgrades. DGKC is currently on ORACLE for execution of business processes. A rectifying system is in place to address business users' issues and service requests. A full dedicated team is employed by DGKC in this regard.

User training of ERP software

We encourage and monitor that User trainings are held regularly at all sites for each module. In addition, Focused sessions are held for infrequent processes and complex occasional scenarios. Valuable input by the users while using the system on critical / significant matters, if any, related to IT governance and ERP (including IT system flaws, Bugs, Glitches, integrity and availability) are provided to the respective technical professionals to develop and modify the procedures.

ERP Risk Management

A risk matrix is available which is continuously monitored and reviewed. Business process configuration and development is done through various techniques. Any process changes or development is first tested thoroughly before transporting the change system. Annual external audit is also conducted that provide valuable feedback to improve the internal control system

ERP System security in connection with sensitivity of Data

Authorization to transactions and reports is granted based on business user role in organization. There are different levels ranging from entry level to checking and approval level to ensure segregation of duties. This is duly reviewed by our internal audit function, ERP department and process owners in finance department.

GOVERNMENT POLICIES RELATED TO CEMENT SECTOR AND ITS IMPACT ON COMPANY'S BUSINESS

The cement demand mainly stems from federal and provincial fund allocation for PSDP, infrastructure projects, low-cost housing schemes, CPEC and other real estate development projects. Any reduction on these development funds in annual budget announcement forecast a reduction in cement and other construction material demand. Further, our country's monetary policy, trade policy, taxation, interest rates, duties and other levies also impact company's profitability. Detailed analysis of Govt. policies and their implications are in "Cement Sector in Pakistan" section.

Best Corporate Report Award 2022

DGKC has been awarded Certificate of Merit in cement category in **Best Corporate Report Award 2021** organized by ICAP and ICMAP.

The award recognizes organizations which have published timely, accurate, informative, and well-presented annual reports for the investors, regulators and other stake holders.

Key elements considered for selection are high standards of corporate governance and transparency according to the international best practices.

GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

Our commitment towards adherence to highest moral and ethical standards is evident from voluntary adoption and implementation of governance practices exceeding legal requirements, some of which include:

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- Corporate social responsibilities being a responsible corporate citizen.
- Implementation of health and safety environment for employees.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing regulations.
- Information regarding outstanding taxes and levies, as required by Listing Regulations, is disclosed in the notes to the financial statements.
- Best reporting practices recommended by ICAP & PwC.

ATTENDANCE IN BOARD MEETINGS

Attendance of Members in Audit Committee Meetings During the Year from July 01, 2021 to June 30, 2022

During the year under review, Four Audit Committee Meetings were held, attendance position was as under:-

Name of Members		Number of Meetings Attended
Mr. Khalid Niaz Khawaja	(Member/Chairman)	4
Mr. Usama Mahmud	(Member)	3
Mr. Mahmood Akhtar	(Member)	4

During the year under review one Human Resource & Remuneration (HR&R) Committee meeting were held, attendance position was as under:-

Name of Members		Number of Meetings Attended
Mr. Khalid Niaz Khawaja	(Member/Chairman)	1
Mian Raza Mansha	(Member)	0
Mr. Shahzad Ahmad Malik	(Member)	1

Attendance of Directors in Board Meetings During the Year from July 01, 2021 to June 30, 2022

During the year under review, Four Board of Directors Meetings was held, attendance position was as under:-

Name of Directors	Number of Meetings Attended
Mr. Raza Mansha (Chief Executive Officer)	4
Mrs. Naz Mansha (Chairperson)	2
Mr. Khalid Niaz Khawaja	4
Mr. Farid Noor Ali Fazal	4
Mr. Shahzad Ahmad Malik	4
Mr. Usama Mahmud	3
Mr. Mahmood Akhtar	4

Pattern of Shareholding

AS ON 30/06/2022

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
2334	1	100	118844	0.03
3224	101	500	1107554	0.25
2181	501	1000	1890745	0.43
3304	1001	5000	8520897	1.94
762	5001	10000	5930184	1.35
266	10001	15000	3375112	0.77
164	15001	20000	3060848	0.70
129	20001	25000	2976629	0.68
60	25001	30000	1705471	0.39
51	30001	35000	1678150	0.38
39	35001	40000	1501198	0.34
22	40001	45000	944531	0.22
47	45001	50000	2329715	0.53
23	50001	55000	1215626	0.28
27	55001	60000	1586781	0.36
15	60001	65000	946128	0.22
23	65001	70000	1588108	0.36
14	70001	75000	1017451	0.23
4	75001	80000	315345	0.07
6	80001	85000	492515	0.11
8	85001	90000	709450	0.16
7	90001	95000	648722	0.15
18	95001	100000	1792317	0.41
3	100001	105000	311197	0.07
4	105001	110000	428919	0.10
4	110001	115000	456000	0.10
4	115001	120000	475079	0.11
4	120001	125000	492423	0.11
5	125001	130000	635161	0.15
8	130001	135000	1062783	0.24
4	135001	140000	550000	0.13
3	140001	145000	428770	0.10
10	145001	150000	1496082	0.34
5	150001	155000	760619	0.17
6	155001	160000	945063	0.22
1	165001	170000	166000	0.04
3	170001	175000	516989	0.12
3	175001	180000	529478	0.12
2	180001	185000	365654	0.08
3	185001	190000	562025	0.13
2	190001	195000	384749	0.09
6	195001	200000	1195900	0.27
4	200001	205000	813100	0.19
1	205001	210000	205900	0.05
1	210001	215000	210532	0.05
1	215001	220000	216000	0.05
4	220001	225000	894933	0.20
3	225001	230000	685330	0.16
1	235001	240000	237555	0.05
6	245001	250000	1493000	0.34
1	250001	255000	255000	0.06
3	255001	260000	775095	0.18
1	260001	265000	264000	0.06
1	265001	270000	268500	0.06
1	270001	275000	274000	0.06
2	275001	280000	558000	0.13

Continued →

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	280001	285000	284206	0.06
4	295001	300000	1200000	0.27
1	300001	305000	300250	0.07
1	305001	310000	310000	0.07
1	310001	315000	310667	0.07
1	315001	320000	317000	0.07
1	320001	325000	321682	0.07
1	325001	330000	327500	0.07
1	345001	350000	350000	0.08
1	365001	370000	369237	0.08
3	375001	380000	1135929	0.26
1	380001	385000	385000	0.09
2	395001	400000	798219	0.18
2	400001	405000	803903	0.18
2	405001	410000	814454	0.19
1	410001	415000	414500	0.09
1	415001	420000	419400	0.10
1	445001	450000	450000	0.10
1	450001	455000	454440	0.10
1	455001	460000	459620	0.10
1	470001	475000	473250	0.11
1	475001	480000	475774	0.11
1	490001	495000	494228	0.11
1	495001	500000	500000	0.11
1	500001	505000	501000	0.11
1	515001	520000	517500	0.12
1	610001	615000	613586	0.14
1	640001	645000	644848	0.15
1	645001	650000	646800	0.15
1	650001	655000	650073	0.15
1	655001	660000	659000	0.15
1	680001	685000	681361	0.16
2	695001	700000	1400000	0.32
1	705001	710000	705300	0.16
1	710001	715000	710224	0.16
2	745001	750000	1500000	0.34
1	750001	755000	752000	0.17
1	790001	795000	792673	0.18
1	810001	815000	813000	0.19
1	855001	860000	859000	0.20
1	875001	880000	876500	0.20
1	890001	895000	892500	0.20
1	895001	900000	900000	0.21
1	900001	905000	902125	0.21
1	920001	925000	920086	0.21
1	930001	935000	931746	0.21
2	980001	985000	1962866	0.45
1	1035001	1040000	1035281	0.24
1	1075001	1080000	1077279	0.25
1	1125001	1130000	1129500	0.26
1	1155001	1160000	1158545	0.26
2	1210001	1215000	2425900	0.55
1	1440001	1445000	1440945	0.33
3	1495001	1500000	4500000	1.03
3	1575001	1580000	4727600	1.08
1	1645001	1650000	1650000	0.38
2	1695001	1700000	3400000	0.78
1	1715001	1720000	1716881	0.39
1	1745001	1750000	1750000	0.40
1	1750001	1755000	1751145	0.40
1	1795001	1800000	1800000	0.41
1	1955001	1960000	1956760	0.45
1	2045001	2050000	2045181	0.47
1	2300001	2305000	2301484	0.53

Continued

No. of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
1	2850001	2855000	2854628	0.65
1	2910001	2915000	2910972	0.66
1	2945001	2950000	2948024	0.67
1	3065001	3070000	3069500	0.70
1	3070001	3075000	3073000	0.70
1	3230001	3235000	3230318	0.74
1	3690001	3695000	3694927	0.84
1	3865001	3870000	3865511	0.88
1	4315001	4320000	4318597	0.99
1	4635001	4640000	4635974	1.06
1	4905001	4910000	4909249	1.12
1	4955001	4960000	4955972	1.13
1	5220001	5225000	5223501	1.19
1	5355001	5360000	5356475	1.22
1	6005001	6010000	6006253	1.37
1	6545001	6550000	6546000	1.49
1	8160001	8165000	8160906	1.86
1	8995001	9000000	8999860	2.05
1	10660001	10665000	10661246	2.43
1	11145001	11150000	11149920	2.55
1	11635001	11640000	11638397	2.66
1	12550001	12555000	12552525	2.87
1	15985001	15990000	15989997	3.65
1	21555001	21560000	21559060	4.92
1	22925001	22930000	22929033	5.23
1	114645001	114650000	114645168	26.17
12945	**Company Total**		**438,119,118**	**100.00**

Categories of Shareholders AS ON JUNE 30, 2022

		SHARES HELD	%
1.	Directors, Chief Executive Officer, and their spouse and minor children	18,905,076	4.32
2.	Associated Companies, undertakings and related parties.	142,044,856	32.42
3.	NIT and ICP	2,046,581	0.47
4.	Banks Development Financial Institutions Non Banking Financial Institutions.	42,576,987	9.72
5.	Insurance Companies	14,687,084	3.35
6.	Modarabas and Mutual Funds	13,164,913	3.00
7.	Shareholders holding 10%	137,574,201	31.40
8.	General Public:		
	a. Local	95,793,565	21.86
	b. Foreign	7,233,234	1.65
9.	Others		
	Joint Stock Companies	18,485,663	4.22
	Investment Companies	18,034	0.00
	Pension Funds, Provident Funds etc.	10,536,890	2.41
	Foreign Companies	16,531,946	3.77
	Charitable Trust, Foundations & Others	1,389,059	0.32

Additional Information

AS ON JUNE 30, 2022

		No. of Shares	%
I. Associated Companies, undertakings and related parties			
Nishat Mills Limited	- Associated Company	137,574,201	31.40
Security General Insurance Company Limited	- Associated Company	228,500	0.05
Adamjee Life Assurance Company Limited	- Associated Company	494,228	0.11
Adamjee Life Assurance Company Limited-IMF	- Associated Company	3,694,927	0.84
Adamjee Life Assurance Company Limited-DGF	- Associated Company	42,000	0.01
Adamjee Life Assurance Company Limited-Amaanat Fund	- Associated Company	11,000	0.00
II. Mutual Funds:			
CONFIDENCE MUTUAL FUND		573	0.00
UNICOL LIMITED EMPLOYEES PROVIDENT FUND		10000	0.00
PRUDENTIAL STOCK FUND LTD.		413	0.00
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND		4955972	1.13
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND		64000	0.01
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND		750000	0.17
CDC - TRUSTEE ATLAS STOCK MARKET FUND		354	0.00
CDC - TRUSTEE ALFALAH GHP VALUE FUND		33910	0.01
CDC - TRUSTEE AKD INDEX TRACKER FUND		57087	0.01
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND		378265	0.09
CDC - TRUSTEE MEEZAN ISLAMIC FUND		454440	0.10
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND		2420	0.00
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND		90	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND		158	0.00
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND		140000	0.03
CDC - TRUSTEE ALFALAH GHP ALPHA FUND		56627	0.01
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND		2910972	0.66
CDC - TRUSTEE ABL STOCK FUND		255895	0.06
CDC - TRUSTEE LAKSON EQUITY FUND		170483	0.04
CDC - TRUSTEE KSE MEEZAN INDEX FUND		710224	0.16
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND		15000	0.00
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND		100	0.00
CDC - TRUSTEE NIT INCOME FUND - MT		23875	0.01
CDC - TRUSTEE AWT ISLAMIC STOCK FUND		12000	0.00
CDC - TRUSTEE AWT STOCK FUND		17016	0.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND		659000	0.15
CDC-TRUSTEE NITIPF EQUITY SUB-FUND		51000	0.01
CDC-TRUSTEE NITPF EQUITY SUB-FUND		39000	0.01
CDC - TRUSTEE FAYSAL MTS FUND - MT		1035281	0.24
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND		879	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND		3760	0.00
CDC - TRUSTEE NIT ASSET ALLOCATION FUND		40000	0.01
CDC - TRUSTEE MEEZAN PAKISTAN EXCHANGE TRADED FUND		50869	0.01
CDC - TRUSTEE HBL INCOME FUND - MT		53358	0.01
CDC - TRUSTEE ALFALAH CONSUMER INDEX EXCHANGE TRADED FUND		62730	0.01

III. Directors and their spouse(s) and minor children:

Mrs. Naz Mansha	Director/Chairperson	213,098	0.05
Mian Raza Mansha	Director/CEO	12,796,880	2.92
Mr. Khalid Niaz Khawaja	Diretcor	2,000	0.00
Mr. Usama Mahmud	Director	200	0.00
Mr. Mahmood Akhtar	Director	500	0.00
Mr. Farid Noor Ali Fazal	Director	1,200	0.00
Mr. Shahzad Ahmad Malik	Director	100	0.00
Mrs. Ammil Raza Mansha	Spouse of CEO	5,891,098	1.34

IV. Executives:

Mr. I.U. Niazi	Chief Financial Officer	2,775	0.00

V. Public Sector Companies and Corporations:

Joint Stock Companies	18,485,663	4.22

VI. Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds:

Investment Companies	18,034	0.00
Insurance Companies	14,687,084	3.35
Financial Institutions	42,576,987	9.72
Modaraba Companies	149,162	0.03
Mutual Funds	13,015,751	2.97
Pension Funds/Providend Funds Etc.	10,536,890	2.41

VII. Shareholders holding Five percent or more voting interest in the Listed Company

Mian Umer Mansha	27,565,313	6.29
Mian Hassan Mansha	27,139,917	6.19
Nishat Mills Limited	137,574,201	31.40

Trading in the shares of the Company, carried out by its Directors, Chief Excutive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary, their Spouses and minor children during the period July 01, 2021 to June 30, 2022, are as under:

S.No.	Name	Designation	No. of Shares	
			Sold	Purchased
1	Mrs. Naz Mansha	Director/Chairperson	-	100,000

Stakeholders Relationship and Engagement

Stakeholders' Engagement and Analysis

At DGKC, we take special steps to ensure that the Stakeholders are engaged by the Company from time to time so that their interests with the Company are duly respected. To ensure that an effective Stakeholder Engagement Policy is in place, DGKC Limited has established the following methods to fully involve the stakeholders in both the current and developing issues being faced by the Company:

- **Inform**
- **Consult**
- **Involve**
- **Collaborate**

The following stakeholders are being engaged by the Company regularly to add value to the Company:

Stakeholder Group	Key Concerns	Mode of Engagement	Frequency
Employees	• Training and development • Performance evaluation and recognition • Sharing knowledge and best practices • Fair practices and work- life balance • Health and safety matters	• Meetings and emails • Committees and toolbox talks • Trainings and performance management system • Reporting mechanisms	• Regularly
Government / Regulators	• Compliance with laws and regulations • Regular reporting • Tax collection & deposits	• Regular visits and applications • Meetings, presentation, reports and networking in different forums organized by regulatory authorities • Presentations from management	• As and when required
Channels-Dealers / Retailers	• Assured quality • Support in sales promotion • Regular supply and timely delivery • Profitability and return on investment	• Sales calls • Relationship building activities such as meets, events and engagements	• Continuous contact visits • Dealer meets
Consumers (trade) —builders and contractor	• Estimation of building cost • Assured quality • Selection of good cement • Troubleshooting	• Regular customer visits; others based on needs and opportunities	• Continuous contact • High frequency
Consumers (institutional)	• Assured quality • Consistency in product • Regular supply and timely delivery • One-window solution for all cement and concrete needs • Testing if needed	• Business briefings and meetings • One-to-one sales calls and after sales service • Key account management system	• High frequency and regular
Communities	• Livelihood opportunities and income generation • Quality education • Preventive health and sanitation • Community environment • Infrastructure development	• Safety management system • Volunteering initiatives • Community events and functions • Stakeholder engagement surveys • Community advisory panels meetings	• Programmed-based and regular

Stakeholder Group	Key Concerns	Mode of Engagement	Frequency
Banks and Financial Institutes	• Borrowing portfolio • Sound financial position • Deposits volume • Investments • Timely repayment of debts	• Treasury operational transactions • Financing and borrowing • Security and guarantees	• Continuous • As and when required
Investors / Shareholders	• Information on Company's performance • Company's financial health, growth and performance • Dividend payments	• Annual General Meetings. • Stakeholders' Relationship Committee to addresses grievances of investors and shareholders • Letters, Circulation of minutes	• Quarterly/ annually/ as and when required
Vendors and Suppliers	• Registration as approved vendor • Pricing and terms of payment • Delivery period • Product failures and user complaints • Compliance with SOP	• By phone, email or in person. • Suppliers meet • Surveys	• High frequency and continuous contact visits
Trade Association and Industrial Bodies	• Issues faced by the Company/ industry • Need for policy intervention and changes as part of ease of doing business	• Sharing best practices and benchmarks • Participating in regional and national events of industry bodies	• As and when required and organized

ISSUES RAISED AT LAST AGM

DGKC held its AGM on October 28, 2021. During the meeting, general queries and clarifications were sought by shareholders regarding the agenda points, which were resolved to their satisfaction. Apart from the said queries, no significant issue or concern was raised.

ENCOURAGEMENT OF MINORITY SHAREHOLDERS TO ATTEND THE GENERAL MEETINGS

We value our shareholders who are the providers of Financial Capital. Each shareholder is important to the Company irrespective of the holding and voting power. We value our investors, their concerns and grievances (if any). We take the following steps to encourage our minority shareholders to attend the general meetings:

- Notice of the meeting is sent to all the shareholders at least 21 days before the meeting
- Notices are published in the English and Urdu newspapers having country-wide circulation
- DVDs of the Annual Report of the Company along with the printed proxy forms are circulated to every shareholder. The proxy forms enables them to nominate someone to attend the meeting on their behalf.
- Notices are posted on the Company's website and disseminated to PSX for better reach to the shareholders. We encourage and appreciate two-way communication in the general meetings, in this way we listen to our shareholders views and concerns.

INVESTORS' RELATIONSHIP SECTION ON COMPANY'S WEBSITE

Company has dedicated a section at its website that includes all material information, notices, queries & complaint handling and all other information necessary to keep an investor update link to website is as follows:

https://www.dgcement.com

HIGHLIGHTS OF REDRESSAL OF INVESTORS' COMPLAINTS

Shareholders / investors log-in numerous complaints during the year; from unclaimed and undelivered dividends to queries pertaining to transmission cases, dividend payout, simple clarifications and CSR activities etc.

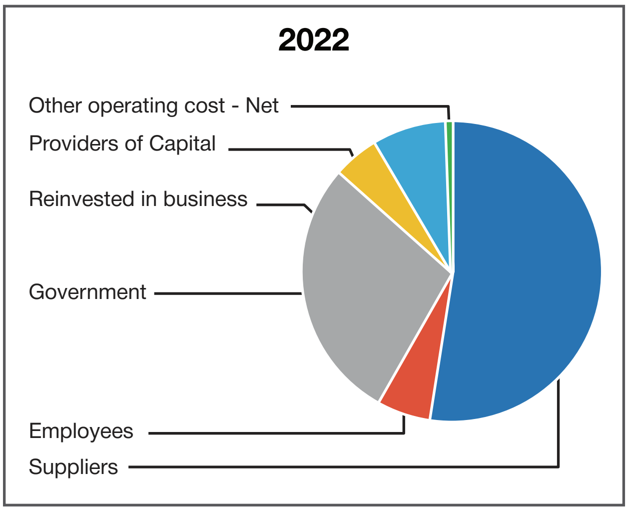
Each shareholder is personally contacted and in collaboration with corporate department and registrar; complainants are satisfied amicably.

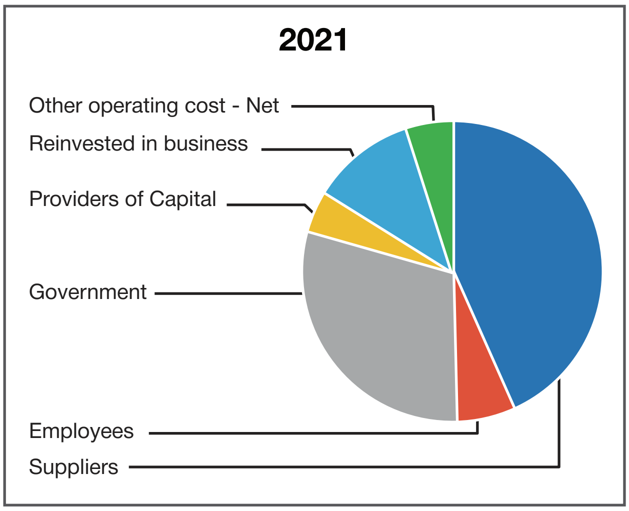
CORPORATE BRIEFING SESSION

DGKC conducted a corporate briefing session during the year to cover the Company's operational and financial performance during 2021. The briefings were keenly attended by PSX representatives as well as analysts from all over the Country. The presentation was followed-up by detailed 'Questions & Answers' sessions which were welcomed by the company's top management, exhibiting DGKC's commitment to a transparent and continuously evolving stakeholders' engagement approach.

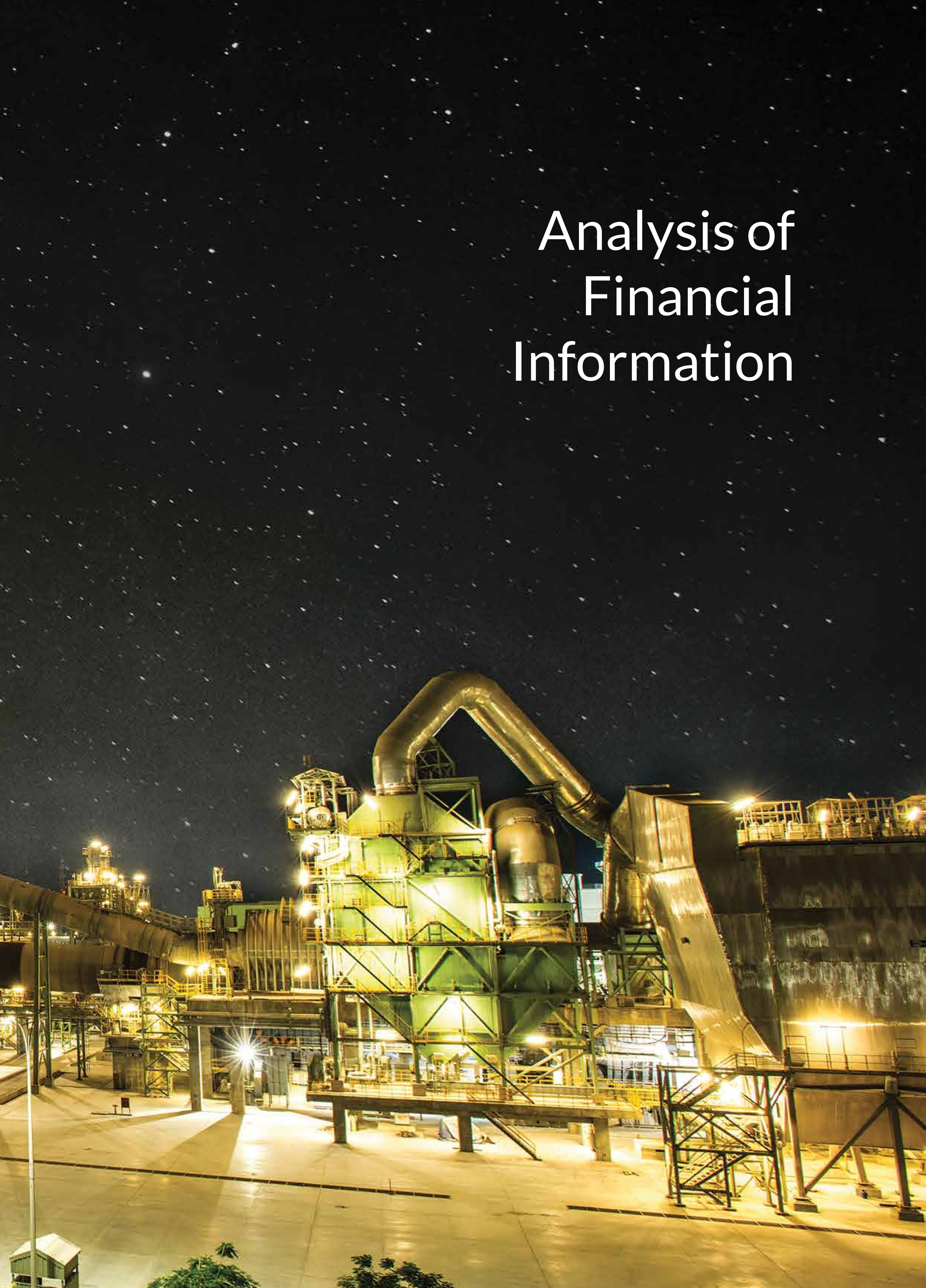
Wealth Distribution Statement

	FY22 (Rupees in thousand)			FY21 (Rupees in thousand)		
Wealth Created						
Revenues:						
- Local sales	68,130,124			53,072,823		
- Exports	9,472,015	77,602,139	97%	9,584,153	62,656,976	96%
Income from other sources						
- Investment income	2,302,735			2,197,481		
- Other income	411,605	2,714,340	3%	329,337	2,526,818	4%
		80,316,479	100%		65,183,794	100%
Wealth Distributed						
Suppliers:						
- Against raw and packing materials	4,310,729			3,617,169		
- Against services	1,799,674			1,791,456		
- Against stores spares	3,282,181			3,596,782		
- Against fuels and other energy sources	33,234,367	42,626,951	53%	19,249,510	28,254,917	43%
Employees		4,680,304	6%		4,094,159	6%
Government:						
- Direct taxes	3,047,629			1,050,132		
- Indirect taxes	18,651,861			16,873,292		
- Other levies and duties	1,305,235	23,004,725	29%	1,487,714	19,411,138	30%
Providers of Capital:						
- Banks	3,571,187			2,920,875		
- Ordinary share holders	438,119	4,009,306	5%	-	2,920,875	4%
Reinvested in business						
- Depreciation	3,909,107			3,580,807		
- Retained profits after dividend	2,534,013	6,443,120	8%	3,721,273	7,302,080	11%
Other operating costs - Net		(447,927)	-1%		3,200,625	5%
		80,316,479	100%		65,183,794	100%





Analysis of Financial Information



Key Highlights 2021-22 Unconsolidated

(RUPEES IN THOUSAND)

Sales	
2022	58,043,863
2021	45,107,690
Percentage	29%

Gross Profits	
2022	10,428,312
2021	8,071,892
Percentage	29%

Profit/(loss) after tax	
2022	2,972,132
2021	3,721,273
Percentage	-20%

Total Assets	
2022	136,562,013
2021	137,894,697
Percentage	-1%

Earning/(loss) per Share	
2022	6.78
2021	8.49
Percentage	-20%

Dividend per Share	
2022	1
2021	1
Percentage	-

Number of Employees	
Factory	1,746
HO/Regional Offices	177

Key Highlights 2021-22 Consolidated

(RUPEES IN THOUSAND)

Sales	
2022	62,259,476
2021	49,074,877
Percentage	27%

Gross Profits	
2022	11,325,231
2021	9,007,404
Percentage	26%

Profit/(loss) after tax	
2022	3,382,422
2021	4,093,183
Percentage	-17%

Total Assets	
2022	141,590,854
2021	144,101,308
Percentage	-2%

Earning/(loss) per Share	
2022	7.21
2021	8.96
Percentage	-20%

Chairperson's Message

I am delighted to share my views on occasion of presenting the annual report of the Company.

FY22 should be marked as high inflation year with consistent high numbers in all months unprecedented in last 10 years. Worldwide, the record of last 30-40 years was broken in major global economies. The reason behind this was once in a millennium Commodity Super Cycle that started immediately after global recovery from Pandemic. The situation also worsened when Russia-Ukraine conflict started in second half of the year, attracting US and European sanctions on Russia which further deteriorated demand and supply cycle of oil and gas. All the major economies responded by escalating discount rates to curtail demands. The spillover of this global situation also affected Pakistan in the form of high commodity and freight prices, hike in utility prices and discount rates. Though the GDP growth was good but CAD numbers for current year and projection of high CAD for next year rang alarms in the government circles. Country wide heavy flooding has also worsened the situation. We expect demond in cement industry may contract moderately for short term arising out of this flooding but expect recovery when situation settles and infrastructure projects kick in.

On behalf of the Company, I also want to show solidarity with the people affected by the flood. DGKC will stand by them in their time of need and will continue to fulfil its responsibility as a responsible corporate citizen. May we, as a country, recover from this calamity and stand on our feet as a resilient nation

Mrs. Naz Mansha
Chairperson

Lahore
September 13, 2022

Chief Executive's Review

I am pleased to share with you my views on the industry and your Company performance.

FY22 started off on strong base of FY21 with record volume and economic recovery from Covid-19. However, as the time passed in current year, things began to roll in opposite direction due to inflationary pressure arising from commodity super cycle, Russia-Ukraine conflict, political unrest and Government change. Although, past Government managed to get good GDP number of 5.97% driven by high Current Account Deficit; the effect of this is not visible in cement industry with negative growth numbers of 7.9%, largely due to high base of FY21. Another factor of this negative number was due to decline in exports sales, primarily due to worldwide unstable prices arising from global inflation.

Your Company capacity remained optimally utilized throughout the year. Improved margins are related to stable sales prices. New Coal Fired Power Plant became operational in the first quarter of FY22, making our Hub plant self-sufficient. In continuation of sales strategy, clinker was exported to earn valuable foreign exchange reserves of USD 54 million (including export of cement) and to contribute towards fixed costs. We also managed to secure good cement orders from USA, diversifying our export base and opening up new horizon of opportunities for us. All the equity investments of your Company, including automobiles and dairy investments, registered profitability.

Post year end situation appears to be gloomy for the country in terms of natural catastrophe as flood is causing havoc across Pakistan. People livelihood, agriculture produce and precious lives have been lost and major infrastructure in the flood affected areas have either been damaged or completely destroyed. We expect industry dispatches may decline moderately arising out of this situation in the FY23. However, as situation gets better, we anticipate decent recovery in global and national economy subsequent to that.

Raza Mansha
Chief Executive Officer

Lahore
September 13, 2022

Cement Sector In Pakistan

Pakistan Cement Industry is a vibrant industry. It is one of highest contributory industries to national exchequer in terms of taxes. As per economic survey of Pakistan for FY 2021-22, construction sector contributes 2.56% in GDP. Pakistan unlike China, India, United States, Iran, Turkey, Brazil, Russia, Saudi Arabia, Indonesia and Vietnam may not be among the top ten cement producing countries in the world, however, it is widely accepted that the quality of Pakistani cement is second to none.

Year wise local and export dispatches and capacity utilization% are shown below:

Year	Operational Capacity	Dispatches			Capacity Utilization	Growth % Total
		Local	Export	Total		
2015-16	45,618,750	33,001,610	5,872,604	38,874,214	85.2%	9.82%
2016-17	46,752,750	35,651,612	4,663,569	40,315,181	86.2%	3.71%
2017-18	48,664,250	41,147,391	4,746,028	45,893,419	94.3%	13.84%
2018-19	55,995,625	40,344,392	6,540,604	46,884,996	83.7%	2.16%
2019-20	63,633,137	39,965,044	7,847,098	47,812,142	75.1%	1.98%
2020-21	69,237,250	48,118,942	9,313,832	57,432,774	83.0%	20.12%
2021-22	69,394,750	47,635,467	5,256,236	52,891,703	76.2%	-7.91%

		(Metric tons)		
	2021-22	**2020-21**	**Variance**	**% (Inc/ Dec)**
Local				
North	39,438,528	40,581,580	(1,143,052)	2.8%
South	8,196,939	7,537,362	659,677	8.7%
	47,635,467	**48,118,942**	**(483,475)**	**-1.0%**
Export				
North	911,035	2,566,402	(1,655,367)	-64.5%
South	4,345,201	6,747,430	(2,402,229)	-35.6%
	5,256,236	**9,313,832**	**(4,057,596)**	**-43.6%**
Total Dispatches	**52,891,703**	**57,432,774**	**(4,541,071)**	**7.9%**

Data from the All Pakistan Cement Manufacturers Association shows that the cement industry took a dip this year with largest area of decline is in exports, largely due to worldwide inflation and unfavorable prices (mainly clinker). Local dispatches registered a moderate decline of 1%, primarily due to high base of FY21. The momentum of 20% growth picked in last year, could not be carried on in the current year, however the number is still better than that of FY20.

With new plants coming in operations this year, we expect competition in local market on back of contraction in demand arising out of floods and GDP contraction. SBP curtailment of subsidized housing finance, high taxation measures and continuous high inflation numbers will contract cement demand in FY23. Cement industry has also been slapped with high one time time 10% super tax in FY22 which will be reduced to 4% in subsequent years, will also cause a major blow to cement sector in this challenging year. However, international support to Government for flood relief activities and Government own spending for infrastructure development may generate business opportunities later in the year particularly in Southern Punjab and Upper and Central Sindh. DGKC, being geographically stretched from North to Center to South, is well placed to meet this new challenge ahead.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL INFORMATION

Analysis of Non- Financial Performance
(PRODUCTION & OPERATIONAL DATA)

FY22 registered a modest increase of clinker production primarily due to more number of kiln operation days at Hub and KHP plants. These plants have more clinker production capacity than DGP-1. Plant capacity utilization was 95% (FY21: 93%). Clinker was continued to be exported as semi-finished goods resulting in less cement production as compared to clinker.

Description	FY22	FY21	Inc/(Dec)	
	---Tons---			
Production				%
Clinker	6,370,194	6,255,177	115,017	1.84%
Cement	5,354,142	5,433,349	(79,207)	(1.46%)

Kiln Operational Days

Year	DGK 1	DGK 2	KHP	HUB	TOTAL
FY22	131	324	245	330	1,030
FY21	183	317	229	326	1,055
FY20	251	312	294	319	1,176

During second half of FY21 and first half of FY22, WHR power plant and Coal Fired Power Plant (CFPP) at Hub site became operational providing valuable replacement to K-Electric. Machinery and equipment of WHR power plant and CFPP is based on air cooling system that would reduce the water consumption drastically, contributing towards Company policy of maintaining clean and green environment.

During the year under review, owing to high coal and furnace oil prices in international markets, DGKC relied on Wapda and K-Electric for its electricity needs. Although, CFPP power generation units increased due to additional 30MW capacity but plant did not operate to its full potential due to high generation costs.

Captive Power Generation (in MWH)

Year	CFPP	WHR	FO	Gas Generators	Dual Fuel	Solar	Total
FY22	217,679	159,784	88	255	4,810	1,225	383,841
FY21	162,227	128,478	22,942	5,963	82,513	1,423	403,546
FY20	165,332	85,122	27,719	15,015	108,679	1,203	403,070

%age of total captive power units produced

Year	CFPP	WHR	FO	Gas Generators	Dual Fuel	Solar	Total
FY22	57%	42%	0%	0%	1%	0%	100%
FY21	40%	32%	6%	1%	20%	0%	100%
FY20	41%	21%	7%	4%	27%	0%	100%

During the FY22, high coal prices in international market provided opportunity to DGKC to resort to alternate energy fuel in the form of Refuse Derived Fuel (RDF). The municipal wastes and tyres were used as fuel to generate energy for kiln in replacement of coal in all of its plants, generating valuable savings and also providing service to community.

Summary of Six Years Financial Statements

EXTRACTS OF BALANCE SHEET

	FY22	FY21	FY20	FY19	FY18	FY17
Equity	69,918,102	73,477,873	66,644,157	70,928,415	77,134,421	74,868,879
Balance Sheet Footing	136,562,013	137,894,697	129,551,534	125,941,425	121,889,017	108,371,319
Fair Value Reserves	14,256,124	20,297,619	17,244,158	18,940,452	24,779,125	28,031,837
Equity without FV Reserves	55,661,978	53,180,254	49,399,999	51,987,963	52,355,296	46,837,042
Fixed Assets	82,803,860	85,020,109	83,537,295	79,980,234	76,493,984	62,447,737
Capitalisation	8,728,068	3,758,015	3,863,587	7,022,815	46,233,538	1,264,268
Long Term Loan	21,265,395	25,430,767	23,982,621	21,025,324	20,040,471	13,020,000
Short Term Loan	25,210,506	18,362,050	23,495,967	20,258,570	12,209,667	8,571,228
Current Assets	40,813,163	36,851,264	34,106,427	33,623,260	29,075,626	27,300,684
Current Liabilities	46,089,031	40,295,520	37,624,257	34,247,052	22,553,193	14,849,803

EXTRACTS OF PROFIT AND LOSS

	FY22	FY21	FY20	FY19	FY18	FY17
Gross Sales	77,602,139	62,656,976	58,033,714	57,952,383	43,407,770	40,384,740
Net Sales	58,043,863	45,107,690	38,033,124	40,516,525	30,668,428	30,136,165
Cost of Sales	47,615,551	37,035,798	36,447,218	35,154,086	21,928,207	18,291,600
GP	10,428,312	8,071,892	1,585,906	5,362,439	8,740,221	11,844,565
Administrative Expenses	751,052	646,762	658,874	628,517	624,725	551,221
Selling Expenses	1,748,859	1,950,056	1,783,422	1,305,695	898,156	979,045
Other Expenses	1,042,803	414,315	529,640	538,207	2,354,656	891,513
Financial Expenses	3,571,187	2,920,875	4,653,286	3,304,102	519,267	382,895
Other Income	2,714,340	2,526,818	2,429,575	2,427,266	3,026,661	2,118,216
PBT	6,019,761	4,771,405	(3,756,188)	1,990,841	7,370,078	11,158,107
Taxation	3,047,629	1,050,132	(1,597,527)	381,082	(1,467,530)	3,182,766
PAT	2,972,132	3,721,273	(2,158,661)	1,609,759	8,837,608	7,975,341
PBT without Dividend	3,717,026	2,573,924	(5,810,159)	99,303	5,435,293	9,214,053
PAT without Dividend	669,397	1,523,792	(4,212,632)	(281,779)	6,902,823	6,031,287

SUMMARY OF CASH FLOW STATEMENTS

(Rupees in thousand)

	FY22	FY21	FY20	FY19	FY18	FY17
Profit/(loss) before tax	6,019,761	4,771,405	(3,756,188)	1,990,841	7,370,078	11,158,107
Profit before working capital changes	12,139,783	9,056,333	3,271,235	5,311,754	1,694,192	599,491
Effect on cash flows due to working capital changes	(11,197,917)	1,416,096	2,791,064	(5,505,071)	2,116,989	(2,533,266)
Cash flows from operating activities	(3,932,479)	6,161,190	(343,131)	(1,530,631)	8,910,698	5,877,328
Cash flows from investing activities	1,461,646	(2,962,160)	(5,082,796)	(5,444,043)	(16,070,791)	(24,430,219)
Cash flows from financing activities	(4,864,956)	2,374,853	2,519,577	(872,069)	3,705,515	6,861,444
Net increase/(decrease) in cash and cash equivalents	(7,335,789)	5,573,883	(2,906,350)	(7,846,743)	(3,454,578)	(11,691,447)
Cash and cash equivalents at the beginning of the year	(17,555,677)	(23,148,133)	(19,769,652)	(11,740,563)	(8,149,348)	3,558,492
Cash and cash equivalents at the end of the year	(24,799,703)	(17,555,677)	(23,148,133)	(19,769,652)	(11,740,563)	(8,149,348)

Financial Ratios

		FY 22	FY 21	FY 20	FY 19	FY 18	FY17
Profitability Ratios							
Gross Profit ratio	%	17.97	17.89	4.17	13.24	28.50	39.30
Net Profit to Sales	%	5.12	8.25	(5.68)	3.97	28.82	26.46
EBITDA Margin to Sales	%	23.27	24.99	12.06	21.71	33.24	45.14
Operating leverage ratio	%	13.42	26.10	20.38	15.41	22.03	20.41
Return on Equity (Average)	%	4.15	5.31	(3.14)	2.17	11.63	11.34
Return on Capital employed	%	2.55	3.17	(1.89)	1.43	8.08	8.27
Shareholders' Funds (Net Equity)	Rs ('000')	69,918,102	73,477,873	66,644,157	70,928,415	77,134,421	74,868,879
Return on Shareholders' Funds	%	4.25	5.06	(3.24)	2.27	11.46	10.65
Liquidity Ratios							
Current Ratio (times)	Times	0.89	0.91	0.91	0.98	1.29	1.84
Quick / Acid test ratio	Times	0.36	0.52	0.56	0.57	0.88	1.29
Cash to Current Liabilities	Times	0.01	0.33	0.36	0.42	0.73	1.18
Cash flow from operations to Sales	Rs ('000')	(3,932,479)	6,161,981	(343,131)	(1,530,631)	8,910,698	5,877,328
Cash flow to capital expenditures	Rs ('000')	(1,718,051)	(5,087,104)	(7,374,428)	(7,014,359)	(17,816,476)	(24,947,189)
Cash flow coverage ratio	Times	0.29	0.26	0.10	0.21	0.32	0.63
Investment /Market Ratios							
Earnings per Share (EPS) and diluted EPS	Rs/Share	6.78	8.49	(4.93)	3.67	20.17	18.20
Price Earnings ratio	Times	9.21	13.88	(17.32)	15.39	5.68	11.71
Price to Book ratio	Times	0.39	0.70	0.56	0.35	0.65	1.25
Dividend Yield ratio	%	1.60	0.85	1.17	1.77	0.87	0.47
Dividend Payout ratio	%	15	12	0	27	21	41
Cash Dividend per share	Rs/Share	1.00	1.00	-	1.00	4.25	7.50
Market value per share							
At 30-June	Rs/Share	62.50	117.92	85.33	56.54	114.50	213.16
High During the year	Rs/Share	120.39	141.48	87.90	126.74	215.23	245.37
Low during the year	Rs/Share	52.25	90.45	42.31	53.38	109.33	171.66
Breakup value per share							
(1) With FV reserves	Rs/Share	159.59	167.71	152.11	161.89	176.06	170.89
(2) Without FV reserves (all investments including Related party	Rs/Share	127.05	121.38	112.75	118.66	119.50	106.90
Capital Structure							
Financial leverage ratio	%	34.03	31.76	36.65	32.78	26.46	19.92
Weighted average cost of debt (excluding taxation)	%	15.82	12.80	20.97	17.97	3.86	5.36
Debt to Equity ratio							
Debt/ (Debt+Equity) (%)	%	39.93	37.34	41.60	36.79	29.48	22.38
Debt/ (Debt+Equity) (%) (w.r.t Market value)	%	62.93	45.88	55.95	62.50	39.13	18.78
Net assets per share	Rs/Share	159.59	167.71	152.11	161.89	176.06	170.89
Interest Cover /Time Interest earned ratio	Times	3.78	3.86	0.99	2.66	19.63	35.53
Activity / Turnover Ratios							
Total Assets turnover ratio (based on average total assets)	%	42.30	33.73	29.77	32.70	26.64	31.43
Fixed Assets turnover ratio (based on average total assets)	%	69.17	53.52	46.52	51.79	44.15	59.08
No. of Days in Inventory	Days	175	154	126	135	108	122
No. of Days in Receivables	Days	9	14	22	11	2	3
No. of Days in Payables	Days	92	138	106	79	119	100
Operating cycle	Days	92	30	42	66	(8)	24
Employee Productivity ratios							
No. of employees (average during the year)	No.	1,900	1,861	1,824	1,716	1,455	1,230
Production per Employee	Tons	3,353	3,361	3,751	3,718	3,033	3,508
Revenue per Employee	Rs ('000')	30,549	24,238	20,851	23,611	21,078	24,501
Staff turnover ratio	%	8.16	5.96	7.24	7.46	7.08	5.37
Non-Financial Ratios							
% of Plant Availability	%	94.79	93.08	101.81	94.95	109.79	107.33
Customer Satisfaction Index (based on security refunded to the customers)	%	99.3	93.8	98.0	99.2	97.6	96.2
Others							
Spares Inventory as % of Assets Cost	%	5.18	4.50	4.41	3.68	2.72	2.83
Maintenance Cost as % of Operating Expenses	%	6.55	9.08	8.64	10.35	10.12	9.03

Horizontal Analysis (%)

	FY22	FY21	FY20	FY19	FY18	FY17
Balance sheet	YOY % Change					
Net Equity	(4.84)	10.25	(6.04)	(8.04)	3.03	13.81
Non-Current Liabilities	(14.79)	(4.60)	21.76	(6.47)	19.03	146.14
Current Liabilities	14.38	7.10	9.86	51.85	51.88	47.66
Property, plant and equipment	(2.61)	1.78	4.46	4.56	22.49	57.79
Non-Current Assets	(5.24)	5.87	3.40	(0.53)	14.48	54.18
Current Assets	10.75	8.05	1.40	15.64	6.50	(11.46)
Total Assets	(0.97)	6.44	2.87	3.32	12.47	29.91
Profit and loss accounts	YOY % Change					
Sales	28.68	18.60	(6.13)	32.11	1.77	1.46
Cost of sales	28.57	1.61	3.68	60.31	19.88	7.37
Gross Profit	29.19	408.98	(70.43)	(38.65)	(26.21)	(6.50)
Administrative expenses	16.12	(1.84)	4.83	0.61	13.33	(3.76)
Selling and distribution expenses	(10.32)	9.34	36.59	45.38	(8.26)	3.10
Net impairment loss on financial assets	(108.59)	(171.50)	555.45	100.00	-	-
Other expenses	151.69	(21.77)	(1.59)	(77.14)	164.12	(2.42)
Other income	7.42	4.00	0.10	(19.80)	42.89	(10.96)
Finance cost	22.26	(37.23)	40.83	536.30	35.62	193.52
Profit before tax	26.16	(227.03)	(288.67)	(72.99)	(33.95)	(10.60)
Taxation	190.21	(165.73)	(519.21)	(125.97)	(146.11)	(13.77)
Profit after tax	(20.13)	(272.39)	(234.10)	(81.79)	10.81	(9.26)

Vertical Analysis (%)

	FY22	FY21	FY20	FY19	FY18	FY17
Balance sheet	% of Total Assets					
Net Equity	51.2	53.3	51.4	56.3	63.3	69.1
Non-Current liabilities	15.1	17.5	19.5	16.5	18.2	17.2
Current Liabilities	33.7	29.2	29.0	27.2	18.5	13.7
Property, plant and equipment	60.6	61.7	64.5	63.5	62.8	57.6
Non-Current Assets	70.1	73.3	73.7	73.3	76.1	74.8
Current Assets	29.9	26.7	26.3	26.7	23.9	25.2
Profit and loss accounts	% of Net Sales					
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of sales	(82.03)	(82.11)	(95.83)	(86.76)	(71.50)	(60.70)
Gross Profit	17.97	17.89	4.17	13.24	28.50	39.30
Administrative expenses	(1.29)	(1.43)	(1.73)	(1.55)	(2.04)	(1.83)
Selling and distribution expenses	(3.01)	(4.32)	(4.69)	(3.22)	(2.93)	(3.25)
Net impairment loss on financial assets	(0.02)	0.23	(0.39)	(0.06)	-	-
Other expenses	(1.80)	(0.92)	(1.39)	(1.33)	(7.68)	(2.96)
Other income	4.68	5.60	6.39	5.99	9.87	7.03
Finance cost	(6.15)	(6.48)	(12.23)	(8.15)	(1.69)	(1.27)
Profit/(loss) before tax	10.37	10.58	(9.88)	4.91	24.03	37.03
Taxation	(5.25)	(2.33)	4.20	(0.94)	4.79	(10.56)
Profit/(loss) after tax	5.12	8.25	(5.68)	3.97	28.82	26.46

Analysis of Financial Information

Analysis below is related major Financial Statements Line Items explaining different trends, major drivers behind those trends, horizontal and vertical analysis and financial ratios. The analysis should be read in conjunction with Financial Ratios, Horizontal Analysis and Vertical Analysis.

SALES

Sales Value and Volume Analysis are as follows:

Description	FY22	FY21	Change	
				%
Volume				
Cement Sales - Local (MT)	5,061,409	5,271,349	(209,940)	(3.98%)
Cement Sales - Export (MT)	297,464	129,539	167,925	129.63%
Clinker Sales - Local (MT)	50,000	-	50,000	100.00%
Clinker Sales - Export (MT)	1,123,745	1,853,867	(730,122)	(39.38%)
Amount				
Cement Sales - Local (Rs 000)	48,667,388	35,656,969	13,010,419	36.49%
Cement Sales - Export (Rs 000)	2,558,931	799,159	1,759,772	220.20%
Clinker Sales - Local (Rs 000)	335,000	-	335,000	100.00%
Clinker Sales - Export (Rs 000)	6,905,554	8,781,420	(1,875,866)	(21.36%)

Analysis reveals that local cement dispatches registered decline due to high base of FY21. Last year, industry witnessed 20% growth due to government focus on construction sector, amnesty scheme, large and small dams, industrialization drive in the country and subsidized loaning for housing sector. Demand sharp pull last year was somehow moderated in the current year. Further, general inflation also curtailed local demand particularly in second half of FY22. The effect of this inflation was also visible in sales prices that remained stable and in line with international commodity prices trend.

Exports were largely dominated by clinker, a less value-added product. The Company continued with this strategy to keep the optimum utilization of plant resulting in recovering of fixed costs, availing export refinance at low rates saving finance costs and earning valuable exchange reserves. During the last quarter, DGKC succeeded in securing sizable cement orders from USA, contributing towards increased exports volume.

COST OF SALES AND GROSS PROFIT

GP in absolute terms increased by Rs 2,356 million whereas GP% increased moderately from 17.89% to 17.97%, indicating the stable and inflation driven local sales prices.

Overall Cost of sales for cement per ton increased by 38.5% to Rs 7,475/ton (FY21: Rs 5,397/ton). Major driver of this rising cost of sales is increase in fuel and power costs. Rising energy prices during the year and high trending commodity prices pushed costs upwards. For the gravity of situation, average coal purchase price for FY22 was CIF USD 172.62/ton against USD 84.63/ton last year, reflecting 104% increase. Other high general inflation trend was also visible across all other line items.

SELLING AND ADMINISTRATIVE EXPENSES

Administrative expenses were in line with general inflation trend. However, selling expenses decrease was associated with decline in clinker sales.

OTHER OPERATING EXPENSES

Increase in other operating expenses was dominated with exchange loss on account of import of coal, particularly in last quarter of FY22 when exchange rate devalued by 15.76% affecting three major planned shipments of coal and resulting higher exchange losses.

FINANCIAL EXPENSES

Finance cost is directly linked to the level of borrowing and interest rates prevailing. Borrowing level and average interest rates both increased during the FY22.

Financial expenses increased by Rs 650 million, increase of 22.2%. Average KIBOR remained high at 9.78% as compared to 7.42% last year, increase by 31.8%. Finance cost related to long term borrowing amounted to Rs 1,921 million that constituted about 53.8% of total financial expenses. Markup on short term borrowing amounted to Rs 1,623 million, increase of 30.8%, mainly from increase in net borrowing due to increase in working capital and KIBOR rates during the year.

OTHER INCOME

Other income increased by Rs 187 million in FY22. Dividend income increased by Rs 105 million (4.8%) owing to increase in dividend from related parties. Excess provision of WWF amounting to Rs 96 million related to last year was also reversed during the year due to trans-provincial status of the Company.

TAXATION

Effective tax rate for taxation increased to 50.63% against 22.01% in FY21. Many changes were enacted through Finance Act 2022 that have retrospective effect for FY 22. These major changes are summarized below:

- Additional one-time super tax of 10% was imposed for cement industry.
- For the next coming years, this tax is reduced to 4%. However, high deferred tax expense was recorded for change in tax rate since Taxable Temporary Difference (TTD) is expected to be reversed at 34%. Cumulative effect of Super taxation in P&L is Rs 1,769 million.
- Minimum tax carried forward period is reduced to 3 years. Being prudent, some of minimum tax assets amounting to Rs 608 million that are carried in our books are expensed out. However, management believes that these tax credits will be adjusted against minimum tax of current and future years and the expired assets will ultimately be utilized.

SHARE CAPITAL AND RESERVES

The Company's equity eroded to Rs 69,918 million (FY21: Rs 73,477 million) in FY22. Net assets decrease is primarily driven by fall in share prices of MCB and HNMPL resulting in decline FV reserves by Rs 6,041 million

BORROWINGS

The Company's borrowing, long and short term, increased during the year, closing at Rs 46,475 million against Rs 43,793 million in FY21. Long term loans, including current portion, amounted to Rs 21,265 million that registered decrease of Rs 4,165 million (16.38%). Short term borrowing increased by Rs 6,848 million (37.3%) to Rs 25,210 million. The rise in short term borrowing is to finance the working capital needs of the Company as stocks and stores increased by Rs 7,187 million.

Though in monetary terms the borrowing is very high but the balance sheet of the Company is strong enough to absorb this. In FY22, total debt to equity was at about 39.9% (FY21: 37.3%). These ratios clearly show the strength, safety and ample available further cushion in Company's balance sheet.

NON - CURRENT ASSETS

Non-Current assets primarily comprise of operating fixed assets of the Company that account for about 60.6% of total assets as at close of FY22. As cement manufacturing process is a capital-intensive venture, the same is reflected in this fact. Besides, this also shows that Company is always looking to keep the manufacturing facilities up to mark, innovative, state of the art, environment friendly and efficient. A continuous trend of capitalization shows that Company keeps on upgrading its fixed assets to reap benefits. In FY22, capitalization of Rs 8,728 million largely pertains to 30 MW CFPP at HUB site. The plant is based on air cooling system, replacing expensive mode of electricity from K-electric and Furnace oil.

WORKING CAPITAL

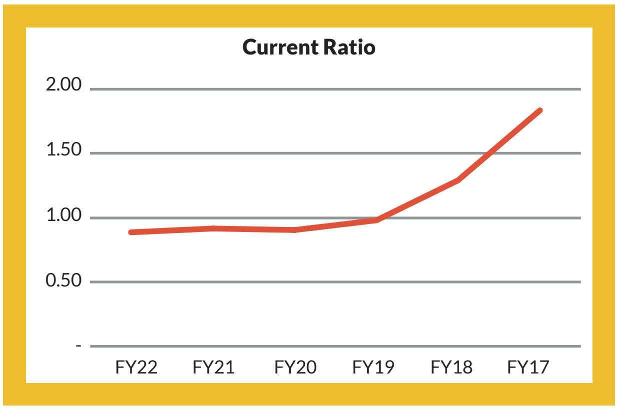
Current assets account for 29.9% of total assets while current liabilities accounted for at 33.7% as on FY22. On average for last six years, current assets are 26.5% and current liabilities are 25.7% of total assets.

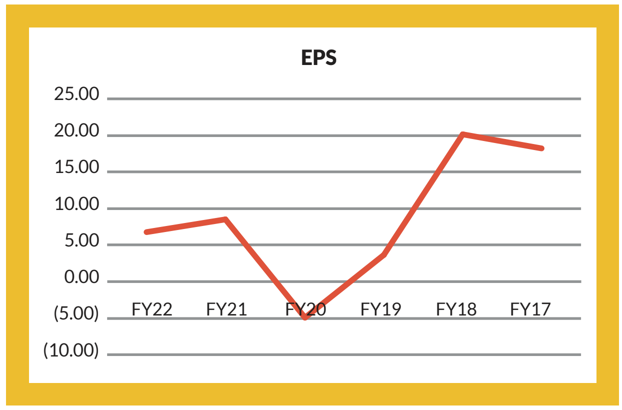
Net Working Capital for the year deteriorated to Rs -5,275 million (FY21: Rs -3,444 million). Drop in working capital was driven by decline in short term investments amounting to Rs 2,984 million, on account of fall in MCB share price. Loan from related party also recovered amounting to Rs 765 million that was not reflected in decrease in short-term borrowing but instead financed the capital expenditure.

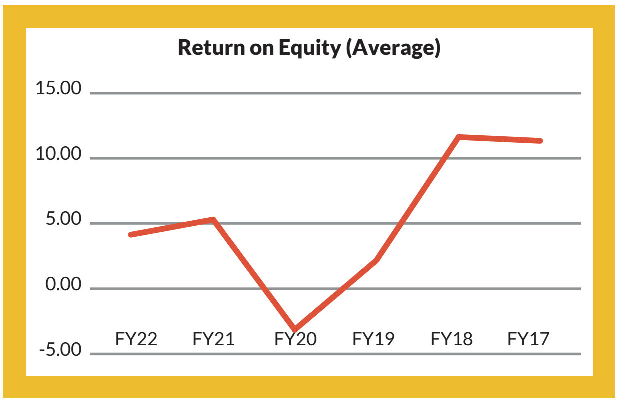
INVESTMENTS (NON-CURRENT AND CURRENT)

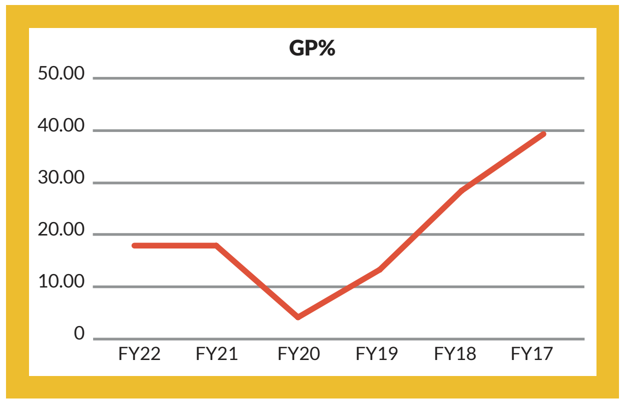
	No of shares	Cost of investment (Rs in '000')	MV of Investment (Rs in '000')	% of Stake in Company	% of total cost of Portfolio	%age of total MV of investment	Dividend (Rs in '000')
Nishat Paper Products Co. Ltd.	25,595,398	250,811	250,811	55.00%	3.2%	1.1%	38,393
Nishat Dairy (Private) Limited	270,000,000	2,169,111	2,169,111	55.10%	27.8%	9.5%	-
Nishat Hotels and Properties Limited	104,166,667	1,041,667	1,920,481	10.42%	13.3%	8.4%	-
Hyundai Nishat Motor (Private) Ltd	94,873,000	948,730	2,385,991	10.00%	12.2%	10.5%	-
Nishat Mills Ltd	30,289,501	1,326,559	2,238,748	8.61%	17.0%	9.8%	121,158
MCB Bank Ltd	102,277,232	604,068	12,578,055	8.63%	7.7%	55.1%	1,994,406
Adamjee Insurance Company	27,877,735	1,239,698	879,821	7.97%	15.9%	3.9%	83,633
Nishat (Chunian) Limited	7,274,602	76,397	325,830	3.03%	1.0%	1.4%	58,197
United Bank limited	214,354	33,646	55,468	0.02%	0.4%	0.2%	4,073
Pakistan Petroleum Ltd	821,626	117,405	24,250	0.03%	1.5%	0.1%	2,876
		7,808,092	**22,828,566**		**100.0%**	**100.0%**	**2,302,736**

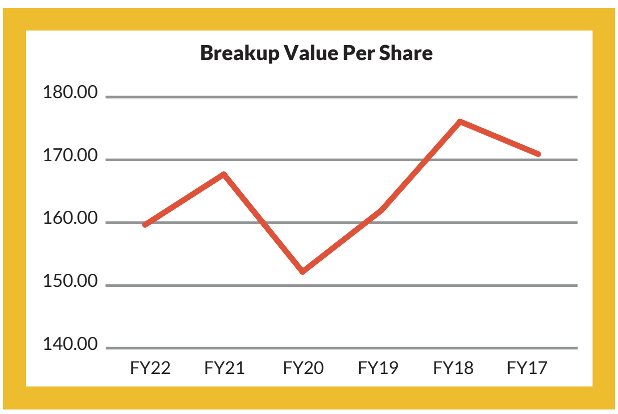
Graphical Representation of Important Financial Ratios

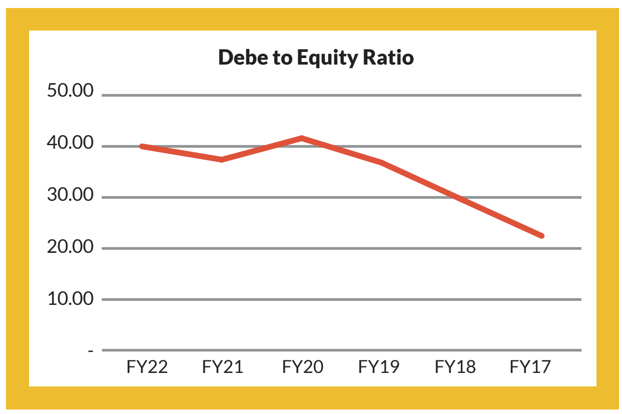


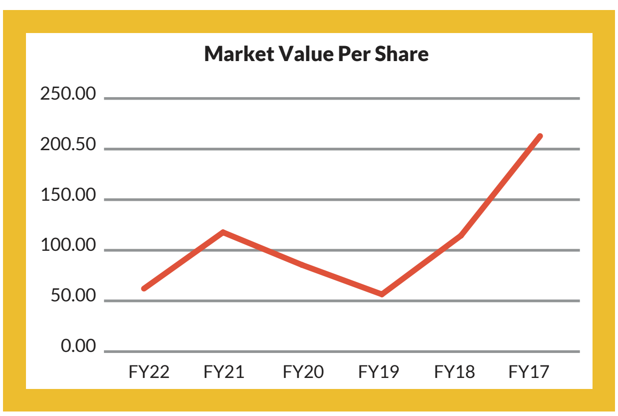


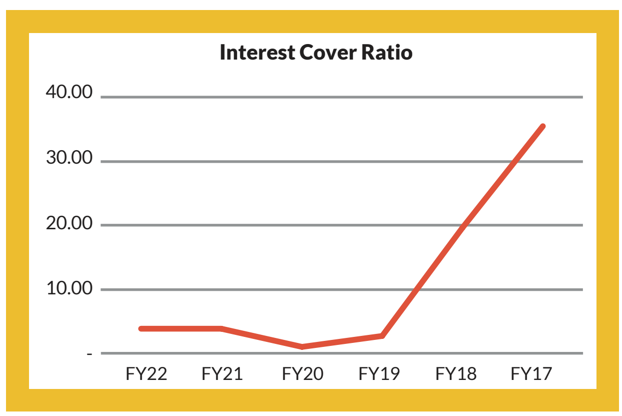












Quarterly Analysis

Extracts of Profit and loss (Rs in thousands)

	FY21	Q1	Q2	Q3	Q4	FY 22
Sales- Net	45,107,690	11,152,534	16,281,948	15,862,249	14,747,132	58,043,863
Gross Profit	8,071,892	2,098,742	2,759,281	2,948,844	2,621,445	10,428,312
Profit before tax	4,771,405	1,177,667	1,682,998	1,957,828	1,201,268	6,019,761
Taxation	(1,050,132)	(269,643)	(413,945)	(515,634)	(1,848,407)	(3,047,629)
Profit/(loss) after tax	3,721,273	908,024	1,269,053	1,442,194	(647,139)	2,972,132
EPS (PKR)	8.49	2.07	2.90	3.29	(1.48)	6.78

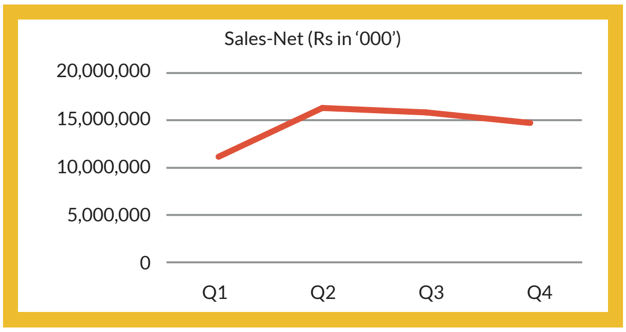
Extracts of Cash flow Statement (Rs in thousands)

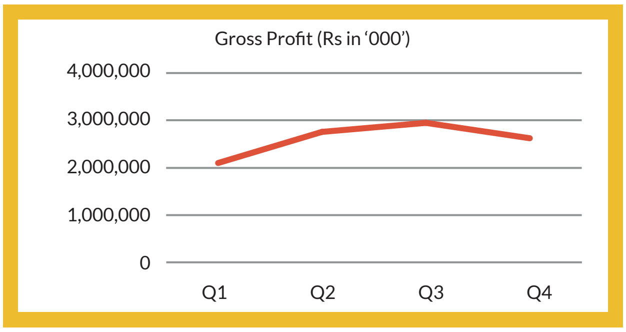
	FY21	Q1	Q2	Q3	Q4	FY 22
Cash flow from operating activities	6,161,190	(3,220,218)	4,267,830	(956,005)	(5,936,096)	(3,932,479)
Cash flow from investing activities	(2,962,160)	(288,286)	1,300,509	347,103	102,320	1,461,646
Cash flow from Financing activities	2,374,853	78,986	(2,028,412)	(883,504)	(2,032,026)	(4,864,956)

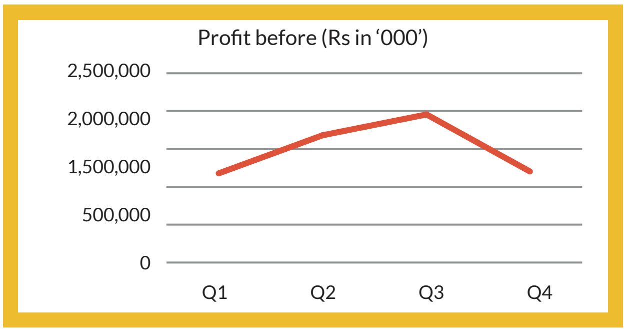
Operational Date (figures in tons)

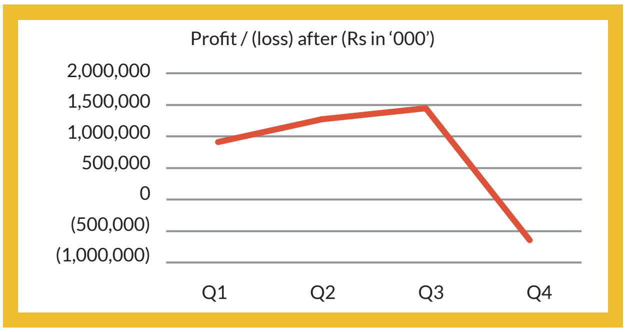
	FY21	Q1	Q2	Q3	Q4	FY 22
Clinker production	6,255,177	1,476,428	1,879,855	1,407,679	1,606,231	6,370,194
Cement production	5,433,349	1,223,231	1,528,109	1,292,923	1,309,879	5,354,142
Total Cement sales	5,400,888	1,237,774	1,472,199	1,365,385	1,283,515	5,358,873
Local Cement sales	5,271,349	1,180,258	1,353,896	1,303,259	1,223,996	5,061,409
Export cement sales	129,539	57,516	118,303	62,126	59,519	297,464
Clinker sales	1,853,867	211,989	542,916	404,753	14,087	1,173,745

Quarterly results were in line with industry trends and towards growth trajectory except for Q4 where PBT was hit by exchange loss on account of currency devaluation related to import of coal. Finance costs were also in the increasing trend with highest in Q4 due to discount rates hike from SBP. The effect of this cost pressure was absorbed by the Company and could not be passed on to customers. Q4 taxation expense was abnormally high due to retrospective effect of some amendments in Finance Act 2022 that could not be forecasted at the start of the year. All of the profit related taxation measures like 10% one- time super tax, change in tax rates from 29% to 33% (effect on deferred taxation) was absorbed in the last quarter, converting PBT of Rs 1,201 million into net loss of Rs 647 million.









Segmental Review of Business Performance and Consolidated Results

Highlights of segments performances are as follows:

	Cement	Packaging/paper	Dairy
Net Sales (PKR in millions) – FY22	58,043	3,070	2,826
Net Sales (PKR in millions) – FY21	45,107	3,980	2,027
EPS – FY22 (Rs / Share)	6.78	6.27	0.36
EPS – FY21 (Rs / Share)	8.49	11.28	(0.14)
Gross Margin % - FY22	17.97	21.81	8.64
Gross Margin % - FY21	17.89	24.97	1.10
PAT Margin % - FY22	5.12	9.50	6.20
PAT Margin % – FY21	8.25	13.19	(3.52)

The Company's consolidated results are summarized hereunder:

PKR in millions

	FY22	FY21
Net Sales	62,259	49,074
Gross Profit	11,325	9,007
PBT	6,801	5,507
PAT	3,382	4,093
EPS (PKR/Share)	7.21	8.96

DGKC shareholding and nature of business of subsidiaries are as follows:

Company	Shares	% shareholding	Business
NPPL	25,595,398	55.00	Manufacture & Sale of Paper Products (Packaging Material)
NDL	270,000,000	55.10	Production of Raw Milk

SUBSIDIARIES (SEGMENTS) CAPACITIES AND ACTUAL PERFORMANCE

NPPL (Packaging and paper)

Bags Production Capacity:	220	million bags per annum
Actual Bags Produced in FY22:	85.4	million bags (approx.)

Lower capacity utilization is due to the gap between demand and supply of the product

NDL (Dairy)

Milk Production Capacity:	36.5	million liters per annum
Actual milk produced in FY21:	31.1	million liters (approx.)

NDL has 3,270 mature milking animals and 3,086 immature animals raised to produce milk as on June 30, 2021.

ANALYSIS ON SEGMENTS PERFORMANCES

NPPL net sales decreased mainly due to decline in paper bags dispatches. Due to high paper bag prices, cement industry tends to shift towards polythene bags as part of their cost measures. This resulted in fall in paper bags dispatches. The management believes that industry will revert back to paper bags once Kraft paper prices decrease in international markets. Finance cost declined due to decrease in net borrowings.

NDPL for the first-time registered PAT, mainly due to increase in milk prices in domestic market. Going forward, management believes that prices of milk remain high as compared to cost base, providing opportunity to NDPL to convert increased sales into net profitability.

SIGNIFICANT CHANGE IN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

No significant change has been observed in accounting policies, judgements and estimates other than FV of unquoted investment against last year. Please also refer to note 3.2 of unconsolidated financial statement.

INFORMATION ABOUT DEFAULTS IN PAYMENT OF ANY DEBTS

DGKC enjoys good relationship with its financiers. DGKC has made timely payments of all its debt obligation and has not made any default in this regard during the year.

METHODS AND ASSUMPTIONS USED IN COMPILING INDICATORS

Performance indicators should immediately inform the users of financial statements how the business is performing which in turn should suggest what actions need to be taken. The consistency in methods of calculation and related assumptions are also important to determine performance over time. DGKC has identified and updated performance indicators that are critical to its business. While identifying performance indicators, the Company analysed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance.

LOCAL VS IMPORTED RAW MATERIAL

Greatest strength for cement manufacturer is availability of its raw material at low cost. Limestone and shale quarries are usually leased from the government on a long-term basis. Other additives are either self-mined or purchased from local markets. Packing material is largely purchased from subsidiary, Nishat Paper Product Company Limited.

Coal is the major fuel for cement production and power generation that accounts for about 56% of manufacturing cost. For FY22, coal prices world-wide increased multifold, even touching CIF USD 400/ton in international market due to commodity super cycle and Russia-Ukraine War. DGKC managed to diversify coal sources, also purchasing from Afghan and local market in addition to international market. DGKC also partially shifted to Alternate Energy Fuel in the form of RDF, as part of cost measure and environment sustainability initiative. These measures helped DGKC to offset negative fallouts of high coal prices in international market without disrupting its operations.

For the purpose of price sensitivity analysis of major raw material, coal, a fluctuation of Rs 100/ton in its price affects cost of clinker by Rs 14/ton that ultimately reduces margins.

DGKC consistently monitors coal price and currency rates and takes necessary steps accordingly

FREE CASH FLOW

	FY22	FY21	Change
	Rs in thousand		
Net cash provided by operating activities	(3,932,479)	6,161,190	(10,093,669)
Less: Capital Expenditure and investments	(1,739,551)	(5,288,334)	3,570,283
Free Cash Flows Total	(5,672,030)	872,856	(6,523,386)

Free cash flows for FY22 is negative due to payments made near year end to build up coal stock in anticipation of high prices. The coal stock will be consumed subsequent to year end and effect of positive cash flows will be visible in the next year.

ECONOMIC VALUE ADDED (EVA)

	FY22	FY21
	Rs in thousand	
NOPAT	4,445,810	3,901,307
Less: Cost of Capital	(16,177,145)	(14,664,929)
Economic Value added	(11,731,335)	(10,763,622)

For the purpose of calculation of cost of capital, FV reserves are excluded from equity. High cost of capital is due to high equity base due to undistributed profits.

ADDITIONAL DISCLOSURES FOR COMPANY LISTED ON ISLAMIC INDEX

Additional disclosure as required in fourth schedule for company listed on Islamic index are shown in note 45 to the accounts.

DIVIDEND DECLARATION

The company has registered profitability of Rs 2,972 million with EPS of Rs 6.78. Keeping in view debt profile and future demand cycle, Board of directors of the Company has recommended dividend of Rs 1.00 per share to be approved in AGM held on October 28, 2022. The recommendation has been made with aim of lowering outstanding debt, financial expenses and maximizing shareholders' wealth.

Cash Flow Statement from Direct Method

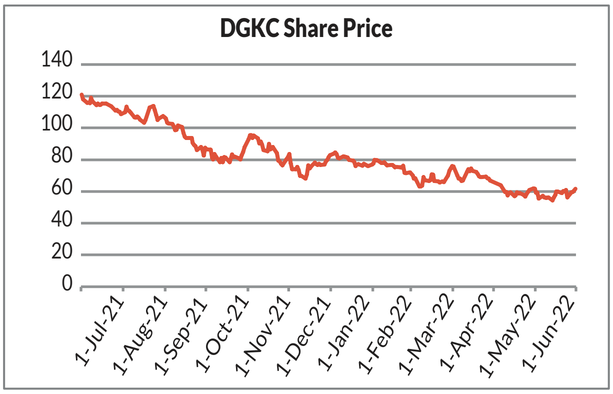
	2022	2021
Cash flows from operating activities		
Cash received from customers	77,141,002	62,718,710
Cash paid to suppliers/employees for goods and services	(76,199,136)	(52,246,281)
Finance cost paid	(3,195,727)	(3,125,381)
Retirement and other benefits paid	(108,762)	(74,770)
Income tax paid	(1,604,041)	(1,104,143)
Long term deposits - net	34,185	(6,945)
Net cash inflow/(outflow) from operating activities	(3,932,479)	6,161,190
Cash flows from investing activities		
Payments for property, plant and equipment and Intangible	(1,739,551)	(5,087,104)
Proceeds from disposal of property, plant and equipment	99,592	63,218
Long term loans, advances and deposits - net	(4,013)	471
Investment in equity instruments	-	(201,230)
Recovery of loan given to related party	765,000	-
Interest received	37,882	65,004
Dividend received	2,302,736	2,197,481
Net cash inflow/(outflow) from investing activities	1,461,646	(2,962,160)
Cash flows from financing activities		
Proceeds from long term finances	1,630,445	8,826,457
Repayment of long term finances	(6,058,277)	(6,451,284)
Dividend paid	(437,124)	(320)
Net cash (outflow)/inflow from financing activities	(4,864,956)	2,374,853
Net increase/(decrease) in cash and cash equivalents	(7,335,789)	5,573,883
Cash and cash equivalents at the beginning of the year	(17,555,677)	(23,148,133)
Effect of exchange rate changes on cash and cash equivalents	91,763	18,573
Cash and cash equivalents at the end of the year	(24,799,703)	(17,555,677)

PAYMENT ON THE ACCOUNT OF OVERDUE STATUTARY LIABILITES

All the statutory payments have been made timely and no instances of overdue payment has been observed during the year.

Share Price Sensitivity Analysis

DGKC share price trend over the year FY22 can be graphically represented as follows:



DGKC shares are traded on Pakistan. Its free float is 50.0% and total market capitalization at the end of financial year was PKR 27 billion which was around 6.7% of total market capitalization of cement sector in Pakistan. Its beta is 1.58.

Share price is exposed to numerous quantitative or qualitative factors during the year some of which are listed below:

- High inflation trend in the country during the year on account of high fuel and utilities prices as it could affect profitability.
- Commodity prices particularly coal, that trended very high touching to around USD 400/ton during the year, as the effect could not be passed on to customers and may reduce Company's margin
- Government regulation and taxation policies relevant to cement sector in particular and businesses as usual. During the year, as new Government approached IMF, fiscal tightening and withdrawal of subsidized housing loan by IMF put pressure on DGKC share price
- Volatility in exchange rates as it may lead to inflation and also affect fuel and power cost
- Profitability and future prospects of equity investments of the Company.
- State bank announcements related to discount rates as company's profitability is highly exposed to financial expenses.
- Any price sensitive information released to PSX during the year
- General market risk prevailing in the stock market

Dupont Analysis

A DuPont analysis is used to evaluate the component parts of a company's return on equity (ROE). This allows users to determine what activities are contributing the most to the changes in ROE. Management monitors different components of Dupont Analysis on regular basis to assess the operational efficiency.

		FY22	FY21	FY20	FY19	FY18	FY17
Net Profit margin %	A	5.12	8.25	(5.68)	3.97	28.82	26.46
Assets Turnover ratio	B	0.43	0.33	0.29	0.32	0.25	0.28
Equity Multiplyer	C	1.95	1.88	1.94	1.78	1.58	1.45
ROE (Dupont)	**AXBXC**	4.25	5.06	(3.24)	2.27	11.46	10.65

Net profitability declined during the period (owing to high taxation expense). Assets turnover ratio has improved due to high sales owing to stable sales prices while asset base declined due to FV loss from investment in MCB Bank Limited and Hyundai Nishat Motor (Private) Limited. This also implies that company is generating strong sales out of its assets, ensuring effective utilization of resources.

Future Outlook

REVIEW OF PREVIOUS YEAR'S FORWARD LOOKING STATEMENT

Reference to the Forward-looking Statements in Annual Report 2021, where we foresaw an upward demand in cement in connection with an upward allocation for Public Sector Development Program (PSDP) infrastructure project, upward trending of coal prices and freight charges, exchange rate devaluation, high energy cost and Interest rates to meet IMF pre-conditions and Geopolitical situation of the region around Pakistan.

Things went exactly in described direction but in a very aggressive way,

Local Dispatches declined due to higher base of last year but still higher than FY20, while exports declined due to the slowdown of economic activity world-wide due to high inflation and unviable prices offered for exports amid exuberant coal prices.

Unstable coal also touched the highest ever rates during FY22 as the commodity price was recorded at US$462/ton on 10th Mar-22. Further, a continuous increase in Brent and crude oil added fuel to fire to the freight charges.

STATUS OF PROJECTS DISCLOSED IN THE PREVIOUS YEAR FORWARD LOOKING STATEMENT

As disclosed in previous year, Company has successfully added 30MW coal-fired power plant in the first quarter of FY-22 at its production site, HUB.

FORWARD LOOKING STATEMENT

The cement demand mainly stems from infrastructure projects, low-cost housing schemes, and CPEC projects. The Government has reduced Federal PSDP by 19.2% and also suspended disbursements for the new loans under the low-cost housing scheme.

The gross margins of the cement industry are likely to decline in FY23 amid elevated coal prices, along with an upward revision in power and a likely surge in gas tariffs, exchange rate devaluation and high inflation numbers. It is expected that the cement industry may likely transfer any cost pressure arising out of it to its customers. A higher finance cost rate and 4% additional super tax will also hamper the net profitability of the company. However, in order to keep production costs in check, the cement industry has been mixing other sources of coal in their fuel mix.

Further, expansions announced by major companies in the industry will increase the production capacity. However, as the new capacities come online there is a fear of intense price competition scenario on the back of uncertain economic situation.

Pakistan is in the midst of a humanitarian disaster after extreme flooding prompted by climate change and monster monsoon rain this summer has led to a staggering number of casualties and damage, as well as stunning infrastructure collapses throughout the country. Thousands of kilometres of roads, bridges, number of buildings and residential houses have been entirely destructed. We may see a huge demand for construction materials for the restoration and rebuilding of the entire damaged infrastructure in the near future.

MANAGEMENT PLANS TO ADDRESS THE CHALLENGES

Amidst the Russia-Ukraine war, high-level commodity prices, increase in energy costs in the purview of IMF conditions, higher overheads charge due to inflation, rising freight costs due to Brent/crude oil prices, and average rupee deprecation, management has planned to:

- Switch to using a mix of coal sourced from Afghanistan and local markets as world markets are making imports too expensive for us to maintain profitability.
- Looking for other avenues of exports other than clinker to expand its sale base and hedge the risk of local Competition. In this connection, the company has already secured cement export contract from the USA market and still striving hard to explore new markets
- Strengthen the local distribution network in order to meet the massive expected demand for cement (expected to rise in medium term) to rebuild and reconstruct the destroyed infrastructure in flood-affected areas of Pakistan.
- Alternate fuel in the form of Refuse-Derived Fuel (RDF) may be mixed with coal or other fuels to be burned in concrete kilns. Usage of alternative fuel not only helps to get rid of different types of Industrial, agriculture, and municipal wastes but also reduce production costs. In addition, continuous rising cost of Imported Coal in international markets coupled with sharp devaluation of Pakistani Rupee during last one year negatively impacted cost of production. Management has decided to install necessary Plant & Machinery for processing of Alternative fuels at our Cement plant at Hub site in addition to its DG site and KHP site.
- The Company is also planning to install the on-grid solar power plant of 6.9MW at its site in Khairpur. The project will be completed in about six months and replace electricity generated from fossil fuels/bought from the national grid. This will help reduce carbon footprints that align with our vision and approach to inch up towards environmentally friendly production processes. The Company also plans to install 6MW each solar power plant at its DG. Khan and HUB sites.

HOW ORGANISATION IS CURRENTLY EQUIPPED TO MEET THE CHALLENGES

- The solar power plant is to be financed 100% through the State Bank of Pakistan Financing Scheme for Renewable Energy at low rates.
- The management is continuously monitoring working capital to keep it in control to lower the borrowings in addition to cash profitability. This will help in lowering fixed costs on account of financial expenses.
- Apart from its operations, Company has invested in various companies and receives 2B to 2.5B additional income in the form of dividend. This helps a lot to resolve the cash flows and other liquidity issues.
- Keeping in view of the high-cost environment, the company is closely monitoring its cost base and keeping it in check. Optimum energy mix is continuously being evaluated. The options to use RDF/TDF as replacement of coal will be considered keeping in view the market situation and plant capacity.

FINANCIAL PROJECTIONS

Flood affected reconstruction and rebuilding would require focusing on construction and allied industries. Your Company foresees moderate local dispatches in FY23. Local prices are likely to remain stable as the impact of inflation, effect of cost pressure from rising coal, oil and energy prices are likely to be transferred to end consumer. Interest rates would remain high and exchange rate may show some sort of stability. Being conservative, financial projections for FY23 are as follows:

	Rs in million
Sales - net	77,647
Gross profit	9,435
Profit before tax	4,937

SOURCES OF INFORMATION AND ASSUMPTIONS USED FOR PROJECTIONS / FORECASTS

The future projections and forecasts are based on certain assumptions after critically analysing the current macroeconomic conditions, historical trends, and prospective developments as well as other relevant factors that might have an impact on the Cement Industry.

The external information, such as industry trends, macro, and microeconomic factors and market dynamics are gathered from different publications and forums like APCMA, PBS, IMF etc. The management internally carries out thorough assessment of market situation and potential opportunities to forecast future revenues and trends for the Company. The future assessments are based on management's best judgments and estimates.

Directors' Report

THE DIRECTORS OF D.G KHAN CEMENT COMPANY LIMITED ARE PLEASED TO PRESENT YOU THEIR REPORT.

The performance numbers of your Company for the year ended on June 30, 2022 are:

	FY22	FY21
	Rupees in '000'	
Sales	58,043,863	45,107,690
Cost of sales	(47,615,551)	(37,035,798)
Gross profit	**10,428,312**	**8,071,892**
Administrative expenses	(751,052)	(646,762)
Selling and distribution expenses	(1,748,859)	(1,950,056)
Net impairment gain/(losses) on financial assets	(8,990)	104,703
Other operating expenses	(1,042,803)	(414,315)
Other income	2,714,340	2,526,818
Finance cost	(3,571,187)	(2,920,875)
Profit/(loss) before taxation	**6,019,761**	**4,771,405**
Taxation	(3,047,629)	(1,050,132)
Profit for the year	**2,972,132**	**3,721,273**

GP%	18.0%	17.9%
PBT %	10.4%	10.6%
PAT%	5.1%	8.2%
EPS	6.78	8.49

Production and Sales volumetric data is as under:

Figures in MT	FY22	FY21
	In MT	
Production:		
Clinker	6,370,194	6,255,177
Cement	5,354,142	5,433,349
Sales:		
Total	5,358,873	5,400,888
Local (excluding own consumption)	5,061,409	5,271,349
Exports	297,464	129,539
Clinker Sale	1,173,745	1,853,867

Overview

Outgoing FY22 was headlined with high inflation, rising fuel and coal prices with political turmoil and economic uncertainty. At the start of the year, the govt passed the budget with high expectations to achieve high growth numbers at macro-economic levels through high PSDP expenditure, targeted subsidies, agriculture planning, export focused strategies and incentivization of construction sector through different measures. This pace was halted by the world-wide inflation crisis mainly on account of high fuel and energy prices driven by rare Commodity Super cycle. As a result, Pakistan economy got exposed to fault lines in early months of the year. Current account deficit that started showing signs of weakness in last quarter of FY21, carried on in the current year. Although similar trend was witnessed in other countries but Pakistan's weak external position, consumption driven GDP, low import cover and high debt repayment requirement made the situation critical for Pakistan. While Government managed to register good growth number of 5.97% but high CAD with anticipation of even higher fuel prices due to Russia – Ukraine war set path for a slow year ahead. IMF was approached to provide support to external accounts. PKR was devalued and discount rates were raised. The inflation trend that was initially assumed to be short lived, are now expected to trend in medium to long term. These factors affected the purchasing power of common people and the effect was visible across all industries.

Cement industry dispatches and analysis

In volume terms, total sales quantity of industry witnessed decline of 4.5 million tons (7.9%) year on year basis to 52.9 million tons. North zone registered negative growth of 2.8 million tons (6.5%) against South Zone of 1.7 million tons (12.2%). Further analysis shows that negative growth was driven by exports that declined 4.0 million tons (43.6%) while local dispatches moderately declined by 0.5 million tons. Sales utilization of industry declined to 76% against 83% for the corresponding period last year. It was largely contributed by local sales of 69% against exports sales utilization of 7%.

Business Performance Review:

Kiln operational days of your Company decreased by 2.3% from 1,055 days to 1,030 days. Clinker production % remained high to 95% (FY21: 93%). Sales utilization of your Company declined to 92% (FY21: 103%) mainly due to export of clinker largely from the piling clinker stock last year. In line with industry, domestic sales of the Company declined by 4.0%. Clinker was exported to contribute towards fixed costs earning valuable total foreign exchange of USD 54 million (including from export of cement).

Sales, in value terms, registered growth primarily due to stable local cement prices. Whole effect of inflation, high energy and fuel prices could not be passed on to the consumers. The Company partially shifted to Alternate Fuel and Afghan coal in substitution of imported South African coal, taking into account cost consideration and also saving valuable foreign exchange reserves. Selling expenses decrease was associated with decline in clinker sales. Currency devaluation resulted in higher exchange loss on account of import of coal; the effect is visible in Other expenses. Financial expenses registered increase due to rise in discount rates in last quarter.

Effective tax rate for taxation increased to 50.63% against 22.01% in FY21. Many changes were enacted through Finance Act 2022 that have retrospective effect for FY 22. Additional one-time super tax of 10% was imposed for cement industry. For the next coming years, this tax is reduced to 4%. Consequently, high deferred tax expense was recorded for change in tax rate. Minimum tax carried forward period is reduced to 3 years. Being prudent, some of minimum tax assets amounting to Rs 608 million that are carried in our books are expensed out however we believe that these tax credits can be adjusted against current and future turnover taxes before their expiry. These factors resulted in higher taxation expense for the year.

Consolidated Results

Consolidated results for FY22 are as follows:

Rs in million	FY22	FY21
Net Sales	62,259	49,074
Gross Profit	11,325	9,007
PBT	6,801	5,507
PAT	3,382	4,093
EPS (PKR/Share)	7.21	8.96

Both subsidiaries also contributed towards the profitability in consolidated results. Detail analysis of consolidated results are provided in “Segmental Review of Business Performance” Section

Projects – New and Ongoing

The Company is planning to install a new Alternate Fuel Energy plant at its Hub site. Usage of alternative fuel not only helps to get rid of different types of Industrial, agriculture, and municipal wastes but also reduce production costs and replaces imported coal, contributing to safe and clean environment. The project is expected to save approximately US$ 22 million every year based on current rates prevailing at international markets. Additionally, replacing imported coal will also save valuable foreign exchange of the country. Approval for project and LC is pending before State Bank of Pakistan. The project is expected to be completed in FY2024 subject to the approval of SBP.

The Company is also planning to install the on-grid solar power plant of 6.9MW at its site in Khairpur. The project will be completed in about six months and replace electricity generated from fossil fuels/bought from the national grid. This will help reduce carbon footprints that align with our vision and approach to inch up towards environmental friendly production processes. The Company also plans to install 6MW each solar power plant at its DG. Khan and HUB sites.

Future Outlook

Economic and political situation in the country is in turmoil. Although new government has been formed, still uncertainty lies because of its very thin majority, strong opposition and its own future plan of action. The country is also struck with heavy rainfall and flood subsequent to year end causing unprecedent damage to crops, livestock and infrastructure and loss of human lives across Pakistan. This is going to hit Pakistan economy very hard. Unless new deal with IMF is re-negotiated for waivers on fiscal side, keeping in view this catastrophe, we are going to face a very challenging year ahead. Government needs to inject funds in these socio-economic areas to keep wealth in circulation. Unless IMF permits it, we may face further inflation in next coming months which already peaked to 40% in August-22. However, for business point of view, infrastructure building requirements may provide opportunities for cement sector if the Government fairly plans the funds. On external front, reserves are low because of unbearable pressure on current account deficit on account of high global fuel prices. Conflict in Eastern Europe and the political economic tensions coming out of it are engulfing the world. All these factors are putting pressure on PKR/USD parity unless support from friendly countries or IMF program is resumed with favorable terms. Whole of this cost pressure is expected to be passed on to consumers otherwise it may squeeze the Company's margins. SBP also proactively increased and maintained discount rates to 15% to slow down growth. International Coal prices are still very high. We continue to use appropriate mix of imported and Afghan coal and Alternate Energy to keep cost under check. Regional politics and conflicts may also have potential negative effect for overall business environment in Pakistan. Rising inflation and construction material prices may also affect demand of cement on back of housing loans and may affect cement dispatches volume. IMF has also imposed restrictions on SBP regarding new subsidized financing (including housing finance). Alongwth that, discount rates may pick up further in accordance with inflation numbers. Both these factors have negative financial impact for the company. SBP has also imposed restriction to obtain prior approval before importing plant and machinery and spare parts. This may affect plant operations of the Company and may cause disruptions in operations. Heavy rainfall and flooding have also disrupted exports subsequent to year end. On positive side, DGKC has successfully secured orders from USA. With Hub plant near port, this development has set the path for increased cement exports in the coming years. Coal Fired Power plant at Hub site has commenced its operations in September 2021, making our plant at Hub site self-sufficient and energy efficient.

Appropriation

The Board keeping in view the profitability and debt profile, decided to recommend dividend of PKR 1.0 per share for FY22.

Principal Risks

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

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

All the risks have been detailed in relevant section of annual report.

Directors' Remuneration

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

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

Chief Executive remuneration package includes salary (including allowances), bonus and medical reimbursements.

Executive director remuneration package includes salary (including allowances), bonus, medical reimbursements, housing , utilities reimbursement and retirement benefits (Provident Fund and Gratuity).

Please also refer to note 37 of unconsolidated financial statements for remuneration of Chief Executive and executive director :

Directors:

Following are the directors of the Company:

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

Female Directors:	01
Male Directors:	06

Audit Committee:

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

Human Resource & Remuneration Committee:

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

Post Balance Sheet Events:

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

Business Impact on Environment:

Our plants and operations are complying with international and national environmental standards. Company has also invested heavily in state-of-the-art machineries for producing electricity from waste heat of plant and burning of industrial and municipal wastes.

Corporate Social Responsibility:

DGKC is fully cognizant of its responsibility towards society and welfare.

Education

The company runs two schools namely Bloomfield Hall School and Cement Model trust School at DG Khan.

Medical & Fire Fighting

- Free Dispensary facility is available at DG Khan, Khairpur and Hub sites. Dispensary facility is in use by people of localities free of any charge.
- Free van transportation facility at site from and to Dispensary and nearby villages
- Company runs free ambulance services for local communities.
- Company also runs a free fire -fighting service for nearby areas.

Water Supply and food distribution

- Company has also made arrangements for water supply to local areas/villages close to our production facilities.
- Emergency and Disaster Help
- Company used to supply equipment and services on need basis in case of any mishap/accident in adjoining areas.
- Company used to contribute towards natural disasters victims rehabilitation.
- Food distribution to flood affectees near plant sites

Awareness & HSE

- Company conducts various awareness sessions on diseases and prevention there-from.
- Company conducts sessions on security, health and safety and conduct mock exercises of emergency situations.

General

- Company supports deserving sports persons.
- Company also contributes in rehabilitation of disabled persons.
- Company replaces the use of coal, to some extent, with the waste collected from the city. The process, contributes towards Company policy of maintaining clean environment.

Othe CSR activities undertaken by the company are detailed in Corporate Social Responsibility Section.

Significant Changes:

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.

Auditors:

The present auditors, M/S A.F. Ferguson & Co. Chartered Accountants retire and offer themselves for reappointment. The Board has recommended the appointment of M/S A.F. Ferguson & Co. Chartered Accountants as auditors for the ensuing year as suggested by the Audit Committee subject to approval of the members in the forthcoming Annual General Meeting.

Compliance with Listed Companies (Code of Corporate Governance) Regulations 2019 (the Regulations):

The requirements of the Regulations relevant for the year ended June 30, 2022 have been adopted by the Company and have been complied with. A Statement to this effect is annexed to the Report.

Principal activity of the Company

The principal activity of the Company is manufacture and sale of cement and clinker. Information related to subsidiaries are disclosed in annual report.

Related parties' transactions:

Board has developed the related parties policy in accordance with law that has been summarized in the annual report. All the related parties transactions are disclosed in the notes to financial statements.

Corporate reporting Framework:

The Directors of your company states that:

(j) The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;

(b) Proper books of account of the company have been maintained;

(c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

(d) The financial statements are prepared in conformity with the Company Laws and International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;

(e) The system of internal control is sound in design and has been effectively implemented and monitored;

(f) There are no significant doubts upon the company's ability to continue as a going concern;

(g) There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing regulations.

(h) Significant deviations from last year in operating results of the company are highlighted and reasoned in other parts of Directors report/annual report. Other significant business matters have been discussed in annual report.

(i) Key operating and financial data of last six years is annexed in this annual report;

(j) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same is disclosed in the financial statements;

(k) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, has been outlined in annual report along with future prospects, risks and uncertainties surrounding the company;

(l) The number of board and committees' meetings held during the year and attendance by each director is annexed in this annual report;

m) The details of training programs attended by directors is annexed in this annual report;

(n) The pattern of shareholding is annexed in this annual report.

(o) The company is current in its all financial obligations.

(p) All trades in the shares of the company, carried out by its directors, executives and their spouses and minor children is annexed in this annual report.

(q) Value of investments on the basis of unaudited accounts of Provident Fund is Rs 2,098 million (FY21: Rs 2,160 million) and of Gratuity Fund is Rs 539 million (FY21: Rs 516 million).

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
September 13, 2022

Unconsolidated Financial Statements

pwc A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of D.G. Khan Cement Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of D. G. Khan Cement Company Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2022, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Deferred taxation** *Refer note 11 to the annexed unconsolidated financial statements)* The Company has recognized deferred tax in respect of unused tax credits and unused tax losses. Deferred tax assets on such items have been recognized as it is probable that sufficient taxable profits will be available in future, before their expiry, for their utilization on the basis of the Company's approved business plan. Due to the significant level of judgement and estimation required in preparing the business plan	Our audit procedures included the following: - Obtained an understanding of the Company's process of preparing the deferred tax working and tested internal controls over management's valuation of deferred tax assets; - Obtained an understanding regarding the relevant tax laws with respect to availability of tax credits and unused tax losses; - Recalculated the amount of tax credits and unused tax losses in accordance with the provisions of Income Tax

Sr. No.	Key audit matters	How the matters were addressed in our audit
	for determining recoverability of deferred tax assets and the significance of the amounts involved, we consider it to be a key audit matter.	Ordinance, 2001; - Involved internal tax specialists to check the income tax computation for the year and assessed the management's conclusion on carry forward of the tax credits and unused tax losses; - Obtained the Company's approved business plan and evaluated the management's assumptions used in the preparation of business plan; - Assessed the reasonableness of computation of taxable income derived from the Company's approved business plan; - Checked the management's analysis regarding the timing of utilization of unused tax credits and unused tax losses by considering the year wise utilization of such amounts and evaluated the selection of the expected tax rate in this regard; and - Assessed the appropriateness of accounting policy in respect of recognition of deferred tax assets on unused tax credits and unused tax losses and the adequacy of the disclosures made by the Company in this area with regard to the applicable accounting and reporting standards.
2.	**Investments measured at fair value** *(Refer notes 19.1.3 and 19.1.4 to the annexed unconsolidated financial statements)* The Company holds investments in equity instruments of Nishat Hotels and Properties Limited ('NHPL') and Hyundai Nishat Motor (Private) Limited ('HNMPL'). Due to NHPL and HNMPL being non-listed companies, their shares do not have a quoted price in an active market. Therefore, fair values of their shares have been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of respective businesses and related discount rates. Management involved an expert to perform these valuations on its behalf. Due to the significant level of judgment and estimation required to determine the fair values of the investments, we consider it to be a key audit matter.	Our audit procedures included the following: - Understood and evaluated the process by which the cash flow forecasts were prepared and approved, including confirming the mathematical accuracy of the underlying calculations; - Evaluated the cash flow forecasts by obtaining an understanding of respective businesses of NHPL and HNMPL; - Obtained an understanding of the work performed by the management's expert on the models for the purpose of valuations; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Obtained corroborating evidence relating to the values as determined by the management's expert by challenging key assumptions for the growth rates in the cash flow forecasts by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; - Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the values of the investments; and - Assessed the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

Sr. No.	Key audit matters	How the matters were addressed in our audit
3.	**Revenue recognition** *(Refer notes 4.21 and 28 to the annexed unconsolidated financial statements)* Revenue from sale of goods is recognised when performance obligation is satisfied by transferring control of promised goods to the customers. The Company is engaged in the production and sale of cement and clinker in the local and export markets. Due to revenue being one of the key performance indicators of the Company, large number of revenue transactions with a large number of customers in various geographical locations, inherent risk of material misstatement and significant increase in revenue from last year, we consider it to be a key audit matter.	Our audit procedures included the following: - Understood and evaluated management controls over revenue and checked their validation; - Performed testing of sample of revenue transactions with underlying documentation including dispatch documents and sales invoices; - Performed cut-off procedures on sample basis to ensure revenue has been recognised in the correct period; - Checked on a sample basis, approval of sales prices by the appropriate authority; - Performed recalculation of discounts as per Company's policy on test basis; - Performed analytical procedures to analyse variation in the price and quantity sold during the year; - Tested journal entries relating to revenue recognised during the year based on identified risk criteria; and - Assessed the adequacy of disclosures made in the financial statements related to revenue.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

A.F. Ferguson & Co.

A.F. Ferguson & Co.
Chartered Accountants

Lahore
Date: September 20, 2022

UDIN: AR202210070F5z9ljguD

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2022	2021
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
- 950,000,000 (2021: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2021: 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 (2021: 438,119,118) ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Other reserves	6	24,238,624	30,280,119
Revenue reserve: Un-appropriated profits		41,298,287	38,816,563
		69,918,102	73,477,873
NON-CURRENT LIABILITIES			
Long term finances from financial institutions - secured	7	14,168,229	19,300,064
Deferred government grant	8	450,684	664,504
Long term deposits	9	281,177	246,992
Employee benefits obligations	10	712,640	530,803
Deferred taxation	11	4,942,150	3,378,941
		20,554,880	24,121,304
CURRENT LIABILITIES			
Trade and other payables	12	12,591,709	14,923,151
Short term borrowings from financial institutions - secured	13	25,210,506	18,362,050
Accrued markup	14	883,229	507,769
Current portion of non-current liabilities	15	7,333,985	6,433,943
Unclaimed dividend		34,512	33,517
Provision for taxation		35,090	35,090
		46,089,031	40,295,520
CONTINGENCIES AND COMMITMENTS	16		
		136,562,013	137,894,697

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Chief Executive

AS AT JUNE 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	82,803,860	85,020,109
Intangible asset	18	17,319	-
Investments	19	12,866,145	15,965,811
Long term deposits	20	61,526	57,513
		95,748,850	101,043,433
CURRENT ASSETS			
Stores, spare parts and loose tools	21	16,813,883	12,879,348
Stock-in-trade	22	5,981,515	2,728,589
Trade debts	23	1,467,862	1,676,245
Investments	24	9,962,421	12,946,786
Loans, advances, deposits, prepayments and other receivables	25	1,430,613	488,566
Loan to related party	26	-	765,000
Income tax receivable		4,746,066	4,560,357
Cash and bank balances	27	410,803	806,373
		40,813,163	36,851,264
		136,562,013	137,894,697

Chief Financial Officer

Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the Year Ended June 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
Revenue	28	58,043,863	45,107,690
Cost of sales	29	(47,615,551)	(37,035,798)
Gross profit		10,428,312	8,071,892
Administrative expenses	30	(751,052)	(646,762)
Selling and distribution expenses	31	(1,748,859)	(1,950,056)
Net impairment (loss)/gain on financial assets	23.2	(8,990)	104,703
Other expenses	32	(1,042,803)	(414,315)
Other income	33	2,714,340	2,526,818
Finance cost	34	(3,571,187)	(2,920,875)
Profit before taxation		6,019,761	4,771,405
Taxation	35	(3,047,629)	(1,050,132)
Profit for the year		2,972,132	3,721,273
Earnings/(loss) per share - basic and diluted (in Rupees)	36	6.78	8.49

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Chief Executive | Chief Financial Officer | Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2022

	2022	2021
	(Rupees in thousand)	
Profit for the year	2,972,132	3,721,273
Other comprehensive (loss)/income for the year - net of tax		
Items that may be reclassified subsequently to profit or loss:	-	-
Items that will not be subsequently reclassified to profit or loss:		
Change in fair value of investments at fair value through other comprehensive income (OCI)	(6,084,078)	3,735,152
Tax effect of change in fair value of investments at fair value through OCI	42,583	(681,691)
Remeasurement of retirement benefits	(75,842)	80,046
Tax effect of remeasurement of retirement benefits	23,553	(21,064)
	(6,093,784)	3,112,443
Other comprehensive (loss)/income for the year	(6,093,784)	3,112,443
Total comprehensive (loss)/income for the year	(3,121,652)	6,833,716

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Chief Executive | Chief Financial Officer | Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	38	941,866	10,472,429
Finance cost paid		(3,195,727)	(3,125,381)
Retirement and other benefits paid		(108,762)	(74,770)
Income tax paid		(1,604,041)	(1,104,143)
Long term deposits - net		34,185	(6,945)
Net cash (outflow)/inflow from operating activities		(3,932,479)	6,161,190
Cash flows from investing activities			
Payments for property, plant and equipment and intangible asset		(1,739,551)	(5,087,104)
Proceeds from disposal of property, plant and equipment		99,592	63,218
Long term loans, advances and deposits - net		(4,013)	471
Investment in equity instruments		-	(201,230)
Repayment of loan to related party		765,000	-
Interest received		37,882	65,004
Dividends received		2,302,736	2,197,481
Net cash inflow/(outflow) from investing activities		1,461,646	(2,962,160)
Cash flows from financing activities			
Proceeds from long term finances	7	1,630,445	8,826,457
Repayment of long term finances	7	(6,058,277)	(6,451,284)
Dividend paid		(437,124)	(320)
Net cash (outflow)/inflow from financing activities		(4,864,956)	2,374,853
Net (decrease)/increase in cash and cash equivalents		(7,335,789)	5,573,883
Cash and cash equivalents at the beginning of the year		(17,555,677)	(23,148,133)
Effect of exchange rate changes on cash and cash equivalents		91,763	18,573
Cash and cash equivalents at the end of the year	39	(24,799,703)	(17,555,677)

Refer note 7 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Chief Executive

Chief Financial Officer

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended June 30, 2022

		Capital Reserves			Revenue Reserves		
	Share Capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-Appropriated Profits	Total
	Rupees in thousand						
Balance as on July 01, 2020	4,381,191	4,557,163	17,244,158	353,510	5,071,827	35,036,308	**66,644,157**
Total comprehensive loss for the year							
- Loss for the year	-	-	-	-	-	3,721,273	**3,721,273**
- Other comprehensive income for the year							
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	3,053,461	-	-	-	**3,053,461**
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	58,982	**58,982**
	-	-	3,053,461	-	-	3,780,255	**6,833,716**
Balance as on June 30, 2021	4,381,191	4,557,163	20,297,619	353,510	5,071,827	38,816,563	**73,477,873**
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	2,972,132	**2,972,132**
- Other comprehensive loss for the year							
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(6,041,495)	-	-	-	**(6,041,495)**
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(52,289)	**(52,289)**
	-	-	(6,041,495)	-	-	2,919,843	**(3,121,652)**
Transactions with owners in their capacity as owners recognised directly in equity							
Final dividend for the year ended June 30, 2021 (Rupee 1 per share)	-	-	-	-	-	(438,119)	**(438,119)**
Balance as on June 30, 2022	**4,381,191**	**4,557,163**	**14,256,124**	**353,510**	**5,071,827**	**41,298,287**	**69,918,102**

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Chief Executive

Chief Financial Officer

Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended June 30, 2022

1. The Company and its activities

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

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

These financial statements (hereinafter may be referred to as 'unconsolidated financial statements') are the separate financial statements of the Company in which the investment in subsidiary has been carried at cost less accumulated impairment losses, if any. Consolidated financial statements are prepared separately.

The Company has regional offices located across Pakistan, the geographical locations of which are listed below:

Regional office	Geographical location
Lahore region	53-A, Nishat House, Lawrence Road, Lahore
Multan region	17 E-1, Officers Colony, Eid Gah Chowk, Multan
Karachi region	D-247, KDA Scheme No. 1/A, Karachi
Rawalpindi region	13-16, 3rd Floor, Rizwan Arcades, Adam Gee Road, Sadar, Rawalpindi
D.G. Khan region	16-B Khayaban-E-Sarwar, Maanka Road, D.G. Khan

2. Basis of preparation

2.1 Statement of compliance

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

i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

ii) Provisions of and directives issued under the Companies Act, 2017 ('Act').

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's unconsolidated financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated financial statements.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated financial statements, except for the following:

a) 'Amendment to IAS 16 'Property, plant and equipment' (effective for annual reporting period beginning on July 01, 2022)

The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

b) 'Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts: Cost of Fulfilling a Contract (effective for annual reporting period beginning on July 01, 2022)

The amendments specify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

c) 'Annual Improvements to IFRS Standards 2018–2020'- Amendments to IAS 41, IFRS 1, IFRS 9, and IFRS 16 (effective for annual period beginning on July 01, 2022)

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities whereas IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. Amendments to IAS 41 and IFRS 1 do not have any impact on the Company's financial statements.

d) Classification of Liabilities - Amendments to IAS 1: (effective for annual period beginning on July 01, 2024)

The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights.

- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification.

- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

e) Narrow scope amendments to IAS 1 Practice Statement 2 and IAS 8 (effective for annual period beginning on July 1, 2023)

The IASB has issued narrow-scope amendments to IFRS Standards. The amendments will help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and

- distinguish changes in accounting estimates from changes in accounting policies.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

f) 'Amendments to IAS 12 'Income Taxes' - Deferred tax related to assets and liabilities arising from a single transaction (effective for annual reporting period beginning on July 01, 2023)

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

The Company is yet to assess the impact of these amendments on its financial statements.

3. Basis of measurement

3.1 These unconsolidated financial statements have been prepared on a historical cost basis except for the following:

- certain financial instruments, government grant and plan assets of defined benefit gratuity at fair value, and

- certain employee benefit obligations and provisions at present value.

3.2 Critical accounting estimates and judgements

The preparation of unconsolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies. Following are the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong.

a) Provision for taxation and recognition of deferred tax asset for tax credits and for carried-forward tax losses - notes 4.2, 11 and 35
b) Employee benefit obligation - notes 4.3 and 10
c) Useful lives and residual values of property, plant and equipment - notes 4.6 and 17.1
d) Fair value of unquoted fair value through other comprehensive income ('FVOCI') investments - notes 4.10 and 19
e) Impairment of financial assets (other than investments in equity instruments) - note 4.13.4
f) Estimate of present value of provisions - notes 4.5 and 12

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the accounting policy adopted as set out in note 4.7.

4.1 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.2 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current

The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted or substantively enacted at the end of the reporting period in accordance with the prevailing law for taxation of income, after taking into account tax credits, rebates and exemptions, if any. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the tax authorities will accept an uncertain tax treatment. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

4.3 Employee benefits

4.3.1 Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leaves that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

4.3.2 Post employment benefits

(a) Defined benefit plan - Gratuity

The Company operates an approved funded defined benefit gratuity plan for all regular employees having a service period of more than five years for officers and six months for workers. Provisions are made in the unconsolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2022 using the "Projected Unit Credit Method".

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The amount recognized in statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the statement of profit or loss.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, has been used for valuation of this scheme:

	2022	2021
Discount rate per annum	13.25%	10.00%
Expected increase in eligible salary level per annum	12.25%	9.00%
Duration of plan (years)	7	8

The expected mortality rates assumed are based on the SLIC (2001-2005) mortality table set back one year.

(b) Defined contribution plan

The Company operates a recognised provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 10% of the basic salary for officers and 10% of basic salary plus cost of living allowance for workers. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognised as an expense in the statement of profit or loss as and when incurred.

4.3.3 Accumulating compensated absences

The Company provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences. Under the service rules, employees are entitled to 2.5 days leave per month. Unutilised leaves can be accumulated up to 30 days in case of officers. However, leave policy for officers whose leave balance was already accumulated to 90 days or above as of July 01, 2019 may keep leaves accumulated up to 90 days. An officer is entitled to encash the unutilised earned leave accrued during the year. In addition, he can also encash some portion of his accumulated leave balance during the year. Any further unutilised leaves lapse. The earned leave encashment is based on basic salaries. In case of workers, unutilised leaves may be accumulated up to 120 days, however, accumulated leave balance above 50 days is encashable upon demand of the worker. Unutilised leaves can be used at any time by all employees, subject to the approval of the Company's management.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to statement of profit or loss . The most recent valuation was carried out as at June 30, 2022 using the "Projected Unit Credit Method.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the statement of profit or loss immediately in the period when these occur.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

	2022	2021
Discount rate per annum	13.25%	10.00%
Expected rate of increase in salary level per annum	12.25%	9.00%
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)	SLIC (2001-2005) mortality table (setback 1 year)
Duration of the plan (years)	8	8

4.4 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.5 Provisions

Provisions for legal claims and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.6 Property, plant and equipment

4.6.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain operating fixed assets signifies historical cost and borrowing costs as referred to in note 4.20.

Depreciation on all operating fixed assets is charged to the statement of profit or loss on the reducing balance method, except for plant and machinery and leasehold land which is being depreciated using the straight line method, so as to write off the depreciable amount of an asset over its estimated useful life at following annual rates.

	Depreciation method	Annual depreciation rate
- Leasehold land	Straight line	3.3%
- Plant and machinery	- do -	3.58% to 5.579%
- Buildings on freehold land	Reducing balance	5%
- Roads	- do -	10%
- Quarry equipment	- do -	10%
- Office equipment	- do -	30%
- Furniture and fittings	- do -	30%
- Vehicles	- do -	20%
- Aircraft	- do -	30%
- Power and water supply lines	- do -	10%

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value and useful life of its operating fixed assets during the year has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 4.8 to these financial statements.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.6.2 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to operating fixed assets category as and when such items are available for use.

4.6.3 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.7 Intangible assets - Computer software

Expenditure incurred to acquire computer software is capitalised as intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Computer software is amortised using the straight line method over a period of three years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (as explained in note 4.8 to these financial statements).

4.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.9 Leases

The Company is the lessee:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

4.10 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets. All other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.10.1 Investments in equity instruments of subsidiaries

Investment in equity instruments of subsidiaries are measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognised as an expense in the statement of profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. It assesses whether there have been favourable events or changes in circumstances, since impairment loss was recognised. If any such indication exists, the Company estimates the recoverable amount of that investment and reverses the impairment loss. The amount of any reversal recognised is restricted to increasing the carrying value of investment to the carrying value that would have been recognised if the original impairment had not occurred.

The Company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of IFRS 10, 'Consolidated financial statements' and IAS 27, 'Separate financial statements'.

4.11 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at moving weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.12 Stock-in-trade

Stock of raw materials (except for those in transit), work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value ('NRV'). Stock of packing material is valued principally at moving average cost. Cost of work-in-process and finished goods comprises cost of direct materials, labour and related production overheads (based on normal operating capacity).

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the unconsolidated financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.13 Financial assets

4.13.1 Classification

The Company classifies its financial assets other than investments in subsidiaries in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss]; and

- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

4.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.13.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as a separate line item in the statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments except for investments in subsidiaries at fair value through other comprehensive income. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.13.4 Impairment of financial assets other than investment in equity instruments

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts, the company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance to be recognised from initial recognition of the receivables, while general 3-stage approach for deposits, loans, bank balances and other receivables i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Trade debts;
- Long term deposits;
- Loan to related party;
- Deposits and other receivables; and
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- the time value of money; and

- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an impairment gain or loss in the statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

4.14 Financial liabilities

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

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

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

4.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.16 Trade debts and other receivables

Trade debts are amounts due from customer for goods sold or services performed in ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Company. Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method less loss allowance.

4.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

4.18 Contract asset and contract liability

A contract asset is recognised for the Company's right to consideration in exchange for goods or services that it has transferred to a customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.19 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the unconsolidated financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

4.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in statement of profit or loss in the period in which they are incurred.

4.21 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies.

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

In case of export sales, the delivery of goods 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.

4.22 Finance income

Finance income comprises interest income on funds invested (financial assets), dividend income, gain on disposal of financial assets and changes in fair value of investments. Interest income is recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

4.23 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.24 Dividend

Dividend distribution to the Company's members is recognised as a liability in the period in which dividends are approved.

4.25 Contingent liabilities and assets

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized. A contingent liability is disclosed unless the possibility of an outflow is remote.

Contingent asset is disclosed when an inflow of economic benefits is probable. Contingent assets are not recognised in the financial statements since this may result in recognition of income that may never be realised.

Contingent liabilities and assets are generally estimated using:

- The single most likely outcome; or

- A weighted average of all the possible outcomes (the ‘expected value’ method). This is likely to be the most appropriate method for a large population of similar claims, but can also be applied to a single obligation with various possible outcomes.

4.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.27 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up share capital

2022	2021			2022	2021
(Number of shares)				(Rupees in thousand)	
343,512,029	343,512,029	Ordinary shares of Rs 10 each fully paid in cash		3,435,120	3,435,120
20,000,000	20,000,000	Ordinary shares of Rs 10 each issued for consideration other than cash	- note 5.2	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs 10 each issued as fully paid bonus shares		746,071	746,071
438,119,118	438,119,118			4,381,191	4,381,191

5.1 137,574,201 (2021: 137,574,201), 228,500 (2021: 228,500) and 4,242,155 (2021: 1,391,300) ordinary shares of the Company are held by the following related parties; Nishat Mills Limited, Security General Insurance Company Limited and Adamjee Life Insurance Company Limited respectively.

Nishat Mills Limited is an Investor and the Company is an associate of Nishat Mills Limited as per International Accounting Standard ('IAS') 28, 'Investments in Associates and Joint Ventures'.

5.2 20,000,000 ordinary shares of Rs 10 each were issued to the shareholders of D.G. Khan Electric Company Limited upon its merger with D.G. Khan Cement Company Limited on 1st July 1999. These shares were issued as consideration of merger against all assets, properties, rights, privileges, powers, bank accounts, trade marks, patents, leaves and licenses of D.G. Khan Electric Company Limited.

6. Other reserves

Movement in and composition of reserves is as follows:

		2022	2021
		(Rupees in thousand)	
Capital reserves			
- Share premium	- note 6.1	4,557,163	4,557,163
- FVOCI reserve	- note 6.2	14,256,124	20,297,619
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		19,166,797	25,208,292
Revenue reserve			
- General reserve		5,071,827	5,071,827
		24,238,624	30,280,119

6.1 This reserve can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

6.2 This represents the unrealised gain on remeasurement of equity investments at FVOCI and is not available for distribution.

6.3 The Capital redemption reserve fund represents fund created for redemption of preference shares and in accordance with the terms of issue of preference shares, to ensure timely payments, the Company was required to maintain a redemption fund with respect to preference shares. The Company had created a redemption fund and appropriated Rs 7.4 million each month from the statement of profit or loss in order to ensure that fund balance at redemption date was equal to the principal amount of the preference shares. The preference shares were redeemed during the year ended June 30, 2007.

7. Long term finances - secured

		2022	2021
		(Rupees in thousand)	
From banking companies:			
Loans under refinance scheme	- note 7.1	4,228,437	4,751,237
Long term loans	- note 7.2	17,036,958	20,679,530
		21,265,395	25,430,767
Current portion shown under current liabilities	- note 15	(7,097,166)	(6,130,703)
		14,168,229	19,300,064

7.1 Loans under refinance scheme - secured

Lender	2022	2021	Number of instalments outstanding	Mark-up Payable
	(Rupees in thousand)			
State Bank of Pakistan's (SBP) Islamic Refinance Scheme for Payment of Wages & Salaries				
Loan 1				
Allied Bank Limited	142,585	427,751	2 equal quarterly instalments ending in October 2022	Quarterly
Loan 2				
Faysal Bank Limited	143,746	431,237	2 equal quarterly instalments ending in December 2022	Quarterly
State Bank of Pakistan's Islamic Temporary Economic Refinance Facility (ITERF)				
Loan 3				
National Bank of Pakistan	4,006,676	4,219,276	19 equal quarterly instalments ending in March 2027	Quarterly
Loan 4				
Faysal Bank Limited	600,000	600,000	16 equal semi-annual instalments of each tranche - note 7.1.1	Half yearly
	4,893,007	5,678,264		

Such facilities are available at mark-up rates ranging from base rate plus 0.15% to 0.7% per annum. The base rate applicable during the year on such facilities is SBP rate ranging from zero to one percent resulting in coupon rate ranging from 0.50% to 1.7% per annum (2021: 0.5% to 1.7% per annum).

Loan 1

This represents long term financing facility availed under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). The loan is secured by a first pari passu charge of Rs 767 million over fixed assets of the Company.

Loan 2

This represents long term financing facility availed under SBP Refinance Scheme. The loan is secured by first pari passu charge of Rs 767 million over present and future fixed assets of the Company (including land & machinery).

Loan 3

This represents long term financing facility availed under SBP Temporary Economic Refinance Scheme. The loan is secured by first pari passu charge over present and future fixed assets of the Company for Rs 6,993.33 million with 25% margin.

Loan 4

This represents long term financing facility availed under SBP Temporary Economic Refinance Scheme. The loan is secured by first pari passu charge of Rs 800 million over present and future fixed assets of the Company (including land & machinery).

7.1.1 Lender - Faysal Bank Limited

Tranche	2022 (Rupees in thousand)	2021 (Rupees in thousand)	Number of instalments outstanding	Mark-up Payable
Tranche 1	113,773	113,773	16 equal semi-annual instalments starting in November 2022	Half yearly
Tranche 2	123,624	123,624	16 equal semi-annual instalments starting in July 2023	Half yearly
Tranche 3	156,256	156,256	16 equal semi-annual instalments starting in August 2023	Half yearly
Tranche 4	206,347	206,347	16 equal semi-annual instalments starting in December 2023	Half yearly
	600,000	**600,000**		

7.1.2 The reconciliation of the carrying amount is as follows:

		2022 (Rupees in thousand)	2021 (Rupees in thousand)
Balance as at beginning of the year		5,678,264	570,338
Disbursements during the year		-	5,394,256
Repayments during the year		(785,260)	(286,330)
	- note 7.1	4,893,004	5,678,264
Balance as at beginning of the year		(927,027)	-
Discounting adjustment for recognition at fair value - deferred government grant	- note 8	-	(1,065,766)
Unwinding of discount on liability		262,460	138,739
		(664,567)	(927,027)
Balance as at end of the year		4,228,437	4,751,237
Current portion shown under current liabilities	- note 15	(1,169,983)	(807,686)
		3,058,454	3,943,551

7.2 Long term loans

Lender	2022 (Rupees in thousand)	2021 (Rupees in thousand)	Number of instalments outstanding	Mark-up Payable
Loan 1 The Bank of Punjab	250,000	350,000	5 equal semi-annual instalments ending in December 2024	Half yearly
Loan 2 The Bank of Punjab	1,500,000	500,000	10 equal semi-annual instalments starting in November 2022	Half yearly
Loan 3 The Bank of Punjab - Islamic	1,000,000	500,000	10 equal semi-annual instalments starting in December 2022	Half yearly
Loan 4 Habib Bank Limited	-	150,000	Nil	Quarterly
Loan 5 Habib Bank Limited	1,250,000	1,750,000	5 equal semi-annual instalments ending in December 2024	Quarterly
Loan 6 Habib Bank Limited	1,249,902	1,749,863	5 equal semi-annual instalments ending in December 2024	Quarterly
Loan 7 Bank Alfalah Limited	1,250,000	1,750,000	5 equal semi-annual instalments ending in December 2024	Quarterly
Loan 8 Bank Alfalah Limited	750,000	1,250,000	6 equal quarterly instalments ending in November 2023	Quarterly
C/F	**7,249,902**	**7,999,863**		

Lender	2022 (Rupees in thousand)	2021 (Rupees in thousand)	Number of instalments outstanding	Mark-up Payable
B/F	**7,249,902**	**7,999,863**		
Loan 9 Bank Alfalah Limited	1,312,500	1,500,000	14 equal quarterly instalments ending in December 2025	Quarterly
Loan 10 National Bank of Pakistan	1,495,000	2,093,000	10 equal quarterly instalments ending in October 2024	Quarterly
Loan 11 National Bank of Pakistan - Islamic	700,000	900,000	7 equal semi annual payments ending in December 2025	Half yearly
Loan 12 Bank Islami Pakistan Limited	-	50,000	Nil	Quarterly
Loan 13 Standard Chartered Bank (Pakistan) Limited	-	333,333	Nil	Quarterly
Loan 14 Allied Bank Limited	720,000	900,000	16 equal quarterly instalments ending in May 2026	Quarterly
Loan 15 Allied Bank Limited	3,595,778	4,903,334	11 equal quarterly instalments ending in March 2025	Quarterly
Loan 16 Allied Bank Limited	1,833,333	2,000,000	11 equal quarterly instalments ending in January 2025	Quarterly
Loan 17 The Bank of Punjab	130,445	-	20 equal quarterly instalments starting in June 2024	Quarterly
	17,036,958	**20,679,530**		

Such facilities are available at mark-up rates ranging from three to six months Karachi Inter-Bank Offered Rate ('KIBOR') plus 0.15% to 0.75% per annum (2021: three to six months KIBOR plus 0.15% to 0.75% per annum).

7.2.1 Security

Loan 1
First pari passu charge over present and future fixed assets of the Company for Rs 667 million with 25% margin.

Loan 2
First pari passu charge over fixed assets of all three units of the Company for Rs 2,000 million.

Loan 3
First pari passu charge over fixed assets of all three units of the Company for Rs 1,333 million.

Loan 4
First pari passu charge over present and future fixed assets of the Company for Rs 2,000 million with 25% margin.

Loan 5
First pari passu charge over present and future fixed assets of the Company for Rs 3,333.34 million with 25% margin.

Loan 6
First pari passu charge over present and future fixed assets of the Company for Rs 3,333.34 million with 25% margin.

Loan 7
First pari passu charge over present & future fixed assets of the Company for Rs 3,333.34 million with 25% margin.

Loan 8
First pari passu charge over present and future fixed assets of the Company for Rs 2,667 million.

Loan 9
First pari passu charge of Rs 2,000 million over fixed assets of the Company.

Loan 10
First pari passu charge over present and future fixed assets of the Company for Rs 4,000 million with 25% margin..

Loan 11
First pari passu charge over present and future fixed assets of the Company for Rs 1,333.34 million.

Loan 12
First pari passu charge over present and future fixed assets of the Company for Rs 1,000 million.

Loan 13
First pari passu charge over present and future fixed assets of the Company for Rs 2,666 million.

Loan 14
First pari passu charge over present and future fixed assets of the Company for Rs 1,200 million with 25% margin.

Loan 15
First pari passu charge over present and future fixed assets of the Company for Rs 7,867 million with 25% margin.

Loan 16
First pari passu charge over fixed assets of the Company for Rs 1,333.33 million.

Loan 17
Joint pari passu charge of Rs 1,056 million on fixed assets of all three units.

	2022	2021
	(Rupees in thousand)	

7.2.2 The reconciliation of the carrying amount is as follows:

	2022	2021
Opening balance	20,679,530	23,412,283
Disbursements during the year	1,630,445	3,432,201
Repayments during the year	(5,273,017)	(6,164,954)
	17,036,958	20,679,530
Current portion shown under current liabilities	(5,927,183)	(5,323,017)
	11,109,775	15,356,513

8. Deferred government grant

This represents deferred grant recognized in respect of the benefit of below-market interest rate on the facilities as referred to in note 7.1 to these unconsolidated financial statements. The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The Company used the prevailing market rate of mark-up at the date of disbursement for similar instruments to calculate fair values of respective loans. The discount rates used range from 7.34% to 7.76% per annum. The reconciliation of the carrying amount is as follows:

		2022	2021
		(Rupees in thousand)	
Opening balance		927,027	-
Deferred grant recognized during the year		-	1,065,766
Credited to profit or loss	- note 34.1	(262,460)	(138,739)
		664,567	927,027
Current portion shown under current liabilities	- note 15	(213,883)	(262,523)
Closing balance		450,684	664,504

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

9. Long term deposits

	2022	2021
	(Rupees in thousand)	
Customers	165,667	144,957
Others	115,510	102,035
	281,177	246,992

These include interest free security deposits from stockists and suppliers and are repayable on cancellation/withdrawal of the dealership or on cessation of business with the Company. As per the agreements signed with these parties, the Company has the right to utilise the amounts for the furtherance of their business, hence, the amounts are not required to be kept in a separate account maintained in a scheduled bank. Therefore, the Company is in compliance with section 217 of Companies Act, 2017. These deposits have not been carried at amortised cost since the effect of discounting is immaterial in the context of these financial statements.

10. Employee benefits obligations

		2022	2021
		(Rupees in thousand)	
This represents:			
Staff gratuity	- note 10.1	530,909	366,489
Accumulating compensated absences	- note 10.2	181,731	164,314
		712,640	530,803

	2022	2021
	(Rupees in thousand)	

10.1 Staff gratuity

The amounts recognised in the statement of financial position are as follows:

	2022	2021
Present value of defined benefit obligation	1,070,278	882,580
Fair value of plan assets	(539,247)	(516,091)
Liability as at June 30	531,031	366,489

10.1.1 Movement in net liability for staff gratuity

	2022	2021
Net liability as at beginning of the year	366,489	362,290
Current service cost	87,770	81,925
Net interest on defined benefit obligation	85,820	66,046
Return on plan assets during the year	(51,452)	(36,842)
	122,138	111,129
Total remeasurements for the year charged/(credited) to other comprehensive income	75,842	(80,046)
Contributions made by the Company during the year	(33,560)	(26,884)
Net liability as at end of the year	530,909	366,489

10.1.2 Movement in present value of defined benefit obligation

	2022	2021
Present value of defined benefit obligation as at beginning of the year	882,582	798,510
Current service cost	87,770	81,925
Interest cost	85,820	66,046
Payments against opening payables	-	(5,159)
Benefits paid during the year	(36,694)	(32,440)
Remeasurements:		
- Actuarial losses from changes in financial assumptions	5,035	2,055
- Experience adjustments	45,765	(28,355)
	50,800	(26,300)
Present value of defined benefit obligation as at end of the year	1,070,278	882,582

10.1.3 Movement in fair value of plan assets

	2022	2021
Fair value of plan assets as at beginning of the year	516,091	436,218
Interest income on plan assets	51,452	36,842
Contributions during the year	33,560	26,884
Benefits paid during the year	(36,814)	(37,599)
Remeasurements in fair value of plan assets	(25,042)	53,746
Fair value of plan assets as at end of the year	539,247	516,091

10.1.4 Plan assets

Plan assets are comprised as follows:

	2022		2021	
	(Rs in '000')	Percentage	(Rs in '000')	Percentage
Cash and bank balances	75,008	14%	69,025	13%
Debt instruments	317,578	59%	316,921	62%
Special Savings Certificates with accrued interest	146,661	27%	130,145	25%
	539,247	100%	516,091	100%

	2022	2021
	(Rupees in thousand)	
10.1.5 Charge for the year		
Current service cost	87,770	81,925
Interest cost	85,820	66,046
Interest income on plan assets	(51,452)	(36,842)
Total expense for the year	122,138	111,129
10.1.6 Total remeasurements charged/(credited) to other comprehensive income		
Actuarial losses from changes in financial assumptions	5,035	2,055
Experience adjustments	45,765	(28,355)
	50,800	(26,300)
Remeasurements in plan assets, excluding interest income	25,042	(53,746)
	75,842	(80,046)

10.1.7 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions			Impact on defined benefit obligation				
				Increase in assumption			Decrease in assumption	
	2022	2021		2022	2021		2022	2021
Discount rate	3.25%	1.00%	Decrease by	7.88%	7.24%	Increase by	6.63%	8.31%
Salary growth rate	3.25%	1.00%	Increase by	6.72%	8.40%	Decrease by	8.07%	7.44%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

10.1.8 Risks associated with the defined benefit plan

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than what is currently assumed. Since, the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Demographic risks

Mortality risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

- Investment risk – the risk of the investment underperforming and being not sufficient to meet the liabilities.

10.1.9 Expected contribution to the defined benefit plan for the year ending June 30, 2023 is Rs 128.239 million.

10.1.10 The weighted average duration of the defined benefit obligation is 7 years (2021 – 8 years). The expected benefit payment for the next 10 years and beyond is as follows:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
	(Rupees in thousand)				
June 30, 2022	128,239	92,796	319,420	14,692,499	15,232,954
June 30, 2021	99,455	74,821	296,765	7,150,973	7,622,014

10.2 Accumulating compensated absences

		2022	2021
		(Rupees in thousand)	
Opening liability		164,313	159,543
Charged to profit or loss		74,838	55,093
Payments made during the year		(34,484)	(9,606)
		204,667	205,030
Current portion shown under current liabilities	- note 15	(22,936)	(40,717)
Liability as at year end		181,731	164,313

10.2.1 Movement in liability for accumulating compensated absences

	2022	2021
Present value of accumulating compensated absences as at beginning of the year	164,313	159,543
Current service cost	57,930	53,442
Interest cost	13,560	11,423
Benefits due but not paid	(22,936)	(40,717)
Benefits paid during the year	(34,484)	(9,606)
Remeasurement in respect of experience adjustments	3,348	(9,772)
Present value of accumulating compensated absences as at year end	181,731	164,313

10.2.2 Charge for the year

	2022	2021
Current service cost	57,930	53,442
Interest cost	13,560	11,423
Remeasurement during the year	3,348	(9,772)
Total expense for the year	74,838	55,093

10.2.3 Assumptions used for valuation of the accumulating compensated absences are as under:

		2022	2021
Discount rate	Per annum	13.25%	10.00%
Expected rate of increase in salary	Per annum	12.25%	9.00%
Duration of the plan	Number of years	8	8
Expected withdrawal and early retirement rate		SLIC 2001-2005 mortality table	SLIC 2001-2005 mortality table

10.2.4 The sensitivity of the accumulated compensated balances to changes in the weighted principal assumptions is:

	Change in assumptions			Impact on defined benefit obligation				
				Increase in assumption			Decrease in assumption	
	2022	2021		2022	2021		2022	2021
Discount rate	3.25%	1.00%	Decrease by	7.46%	7.83%	Increase by	8.58%	9.08%
Salary growth rate	3.25%	1.00%	Increase by	8.49%	8.97%	Decrease by	7.49%	7.88%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the accumulating leave absences to significant actuarial assumptions the same method (present value of the accumulating compensated absences calculated with the projected unit credit method at the end of the reporting period) has been applied for valuation of balance of accumulating compensated absences in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

10.2.5 Risks associated with the accumulating compensated absences

- Final Salary Risk (linked to inflation risk) - the risk that the final salary at the time of cessation of service is greater than what we assumed. Since, the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Demographic risks
Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

11. Deferred taxation

	2022	2021
	(Rupees in thousand)	
The net liability for deferred taxation comprises taxable/(deductible) temporary differences, unused tax credits and unused tax losses relating to:		
Deferred tax liability		
Accelerated tax depreciation	12,397,100	10,742,776
Un-realised gain on investments - net	710,585	771,482
	13,107,685	11,514,258
Deferred tax asset		
Available unused minimum tax credit	(2,097,450)	(1,983,829)
Available unused Alternative Corporate Tax credit	(492,992)	(492,992)
Available unused tax losses	(5,350,780)	(5,495,903)
Loss allowance on financial assets	(16,778)	(12,199)
Employee benefit obligations	(207,535)	(150,394)
	(8,165,535)	(8,135,317)
	4,942,150	3,378,941

		2022	2021
		(Rupees in thousand)	
The gross movement in net deferred tax liability during the year is as follows:			
Opening balance		3,378,941	2,535,348
(Credited)/charged to other comprehensive income		(66,136)	702,755
Charged to statement of profit or loss	- note 35	1,629,344	140,838
Closing balance		4,942,150	3,378,941

Deferred tax asset on tax losses and tax credits available for carry forward have been recognized to the extent that the realisation of related tax benefits is probable from reversal of existing taxable temporary differences and future taxable profits. Based on the company's approved business plan, it is probable that sufficient taxable profits will be available for utilization of deferred tax asset. However, the Company has not recognised deferred tax asset in respect of minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 amounting to Rs 608.145 million (2021: Nil) as sufficient taxable profits would not be available to utilise these in the foreseeable future. The management believes that these tax credits will be adjusted against minimum tax liability of current and future years, however, being prudent, deferred tax asset on these tax credits have not been recognized and would expire as follows:

Accounting year to which minimum tax relates	Amount of minimum tax (Rupees in thousand)	Accounting year in which minimum tax will expire
2018	354,824	2023
2019	253,321	2024
	608,145	

		2022	2021
		(Rupees in thousand)	

12. Trade and other payables

		2022	2021
Trade creditors	- note 12.1	3,871,207	7,375,630
Infrastructure cess		178,328	178,329
Contract liability	- note 12.2	1,468,611	1,469,797
Accrued liabilities	- note 12.3	5,740,256	4,451,035
Workers' profit participation fund	- note 12.4	338,556	348,668
Workers' welfare fund	- note 12.5	840	97,649
Withholding tax payable		43,891	11,293
Retention money payable		36,429	84,529
Export commission payable		82,840	69,779
Federal Excise Duty payable		733,298	752,953
Book overdraft	- note 12.6	-	18,048
Others	- note 12.7	97,453	65,441
		12,591,709	14,923,151

12.1 Trade creditors include amounts due to following related parties:

	2022	2021
Nishat Paper Products Company Limited	883,504	841,239
Security General Insurance Company Limited	1,349	4,214
Nishat Dairy (Private) Limited	88,071	88,071
	972,924	933,524

12.2 This represents contract liabilities of the Company towards various parties. Revenue recognised in the current year that was included in the contract liability balance at the beginning of the year amounts to Rs 630.225 million (2021: Rs 1,087.328 million).

12.3 Includes Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. The Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared GIDC Act, 2015 a valid legislation. Under the judgement, all gas consumers including the Company were ordered to pay the outstanding GIDC liability as at July 31, 2020 to the Government of Pakistan in 24 equal monthly instalments. The Company has partially paid GIDC amounting to Rs 84.5 million. The Company also filed a Suit with the Sindh High Court against collection of GIDC instalments, before a factual determination of GIDC passed on to end consumers or not is carried out. The Sindh High Court granted a stay in March 2021 against recovery of GIDC payable from the Company till the finalisation of matter by the Court. The matter is currently pending in the Sindh High Court. The Company has followed the relevant accounting standards and ICAP guidelines in this regard.

		2022	2021
		(Rupees in thousand)	
12.4 Workers' profit participation fund			
The reconciliation of carrying amount is as follows:			
Opening balance		348,668	91,775
Provision for the year	- note 32	189,886	256,854
		538,554	348,629
(Payments)/adjustments made during the year		(199,998)	39
Closing balance		338,556	348,668
12.5 Workers' welfare fund			
The reconciliation of carrying amount is as follows:			
Opening balance		97,649	-
Provision for the year	- note 32	839	97,649
		98,488	97,649
Reversal of prior year provision	- note 33	(96,051)	-
Payments made during the year		(1,597)	-
Closing balance		840	97,649

12.6 This represents book overdraft balances due to cheques issued in excess of actual bank balances in respect of saving bank accounts.

12.7 Includes payable to employees' provident fund amounting to Rs 31.473 million (2021: Rs 21.863 million).

		2022	2021
		(Rupees in thousand)	
13. Short term borrowings from financial institutions - secured			
Short term running finances/short term borrowings	- note 13.1	10,569,147	8,473,130
Import finances	- note 13.2	9,479,359	5,729,420
Export finances	- note 13.3	5,162,000	4,159,500
		25,210,506	18,362,050

13.1 Short term running finances/short term borrowings

Short term running finance facilities and short term borrowings available from various commercial banks under mark-up arrangements aggregate to Rs 31,150 million (2021: Rs 26,057 million). Such facilities are available at mark-up rates ranging from one to three months Karachi Inter-Bank Offered Rate (KIBOR) plus -0.05% to 1% per annum (2021: One to three months KIBOR plus 0.05% to 1.25% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 7.35% to 15.15% (2021: 6.63% to 8.93%) per annum and markup is payable monthly to quarterly. These are secured by first and joint registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

13.2 Import finances

Import finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 18,600 million (2021: Rs 16,500 million). Such facilities are available at mark-up rates ranging from one to six months Karachi Inter-Bank Offered Rate (KIBOR) plus -0.05% to 0.1% per annum (2021: One to six months Karachi Inter-Bank Offered Rate (KIBOR) plus 0.05% to 0.2% per annum) and one to six months London Inter-Bank Offered Rate (LIBOR) plus 0.75% per annum (2021: One to six months London Inter-Bank Offered Rate (LIBOR) plus 0.75% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 7.51% to 15.18% (2021: 7.07% to 8.15%) per annum and markup is payable on settlement. The aggregate import finances are secured by a registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, trade debts, investments and other receivables.

13.3 Export finances

Export finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 14,250 million (2021: Rs 15,200 million). Such facilities are available at markup rate agreed as per State Bank of Pakistan plus 0.00% to 1.00% per annum (2021: State Bank of Pakistan agreed rate plus 0.25% to 1.00% per annum). The Export Finance Scheme rate has remained constant at 2% throughout the year. These loans are obtained for a period of 180 days and are secured against pari passu hypothecation charge over current assets of the Company.

13.4 Letters of credit and guarantees

Of the aggregate facility of Rs 35,750 million (2021: Rs 25,438 million) for opening letters of credit and Rs 5,750 million (2021: Rs 4,388 million) for guarantees, all being either main limits or sub-limits of the running finance facilities, the amount utilised as at June 30, 2022 was Rs 16,054 million (2021: Rs 4,760 million) and Rs 3,309 million (2021: Rs 3,114 million) respectively. The facilities for opening letters of credit are secured against lien over import documents whereas aggregate facilities for guarantees are secured against registered joint pari passu charge over the present and future current assets of the Company. Of the facility for guarantees, Rs 14.48 million (2021: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 27.2.

		2022	2021
		(Rupees in thousand)	
14. Accrued mark-up			
Accrued mark-up/interest on:			
- Long term finances - secured		425,861	283,063
- Short term borrowings - secured		457,368	224,706
		883,229	507,769
15. Current portion of non-current liabilities			
Loans under refinance scheme	- note 7.1.1	1,169,983	807,686
Long term loans	- note 7.2.2	5,927,183	5,323,017
Accumulating compensated absences	- note 10.2	22,936	40,717
Deferred government grant	- note 8	213,883	262,523
		7,333,985	6,433,943

16. Contingencies and commitments

16.1 Contingencies

Contingent assets:

16.1.1 The matter relating to interpretation of provisions of section 4(2) of the repealed Central Excise Act, 1944 (1944 Act) has now attained finality after having been adjudicated by the honourable Supreme Court of Pakistan through its judgment dated 27 January 2009 (upholding its previous judgment dated 15 February 2007). The longstanding controversy between the Revenue Department and the tax payers related primarily to finer interpretation of the provisions of section 4(2) of the 1944 Act wherein the department had a view that excise duty shall be included as a component for determination of the value (retail price) for levying excise duty. The departmental view, being against the spirit of law, was challenged by the taxpayers in appeals before the honourable High Courts of Pakistan which, duly appreciating the contentions of the taxpayers, overturned the departmental view and succeeded the appeals.

Now, since the controversy has attained finality up to the highest appellate level, the Company has initiated the process of claiming refund of excess excise duty paid by it during the periods from 1994 to 1999 which aggregates Rs 1,115.145 million. The amount of refund, however, shall be incorporated in the books of account once it is realized by the Company.

16.1.2 The Income Tax Officer, while framing the assessments for the assessment years 1984-85 to 1990-91, has taxed the income of the Company on account of the interest on the deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the Company issued an order in favour of the Company for the assessment years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these financial statements for the relief granted by the Appellate Tribunal aggregating Rs 35.090 million.

Contingent liabilities:

16.1.3 During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484(I)/92, 978(I)/95 and 569(I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Company appealed before the Lahore High Court, Multan Bench, which allowed the Company to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan, passed an order dated November 26, 1999, against the Company on the grounds that the said machinery was being manufactured locally during the time when it was imported.

After various appeals at different forums, the honourable Supreme Court of Pakistan remanded the case back to the Customs Authorities to reassess the liability of the Company. The custom authorities re-determined the liability of the Company upon which the Company preferred an appeal to the Customs Appellate Tribunal. The Tribunal decided the case in favour of the Company, upon which the Company discharged all liabilities. However, the custom authorities preferred a reference to the Lahore High Court, Multan Bench on November 19, 2013. Last hearing of the case was conducted on June 25, 2018. In case of any adverse decision, the management assesses liability to the tune of Rs 233.390 million. No provision for this amount has been made in the financial statements as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

16.1.4 The Competition Commission of Pakistan ('the CCP') took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association ('APCMA') and its member cement manufacturers. The Company filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs 933 million on the Company. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Company for the time being.

The vires of the Competition Commission of Pakistan have been challenged by a large number of petitioners and all have been advised by their legal counsels that prima facie the Competition Ordinance, 2007 is ultra vires of the Constitution of Pakistan. The Honourable Supreme Court of Pakistan sent the appeals of the petitioners to newly formed Competition Appellate Tribunal ('CAT') to decide the matter. The Company has challenged sections 42, 43 and 44 of the Competition Act, 2010 in the Sindh High Court. The Honourable Sindh High Court upon petition filed by large number of petitioners gave direction to CAT to continue with the proceedings and not to pass a final order till the time petition is pending in Sindh High Court. No provision for this amount has been made in the financial statements as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

16.1.5 The Company, consequent to the order-in-appeal passed by the learned Customs, Federal Excise and Sales Tax Appellate Tribunal, Lahore, filed a petition before the Lahore High Court on March 27, 2008, challenging the levy of sales tax on the in-house consumption of Shale, Gypsum and Limestone for the period from June 13, 1997 to August 11, 1998. Last hearing of the case was conducted on December 17, 2015. According to the legal counsel of the Company, chances of favourable outcome of the petition are fair, therefore the payable amount has not been incorporated in these financial statements amounting to Rs 212.239 million.

16.1.6 On August 31, 2021, the Lahore High Court has granted interim relief to the Company in respect of a writ petition filed by the Company to challenge a showcause notice issued by the DCIR dated July 02, 2021, whereby, it was alleged that the Company had claimed inadmissible input tax for the periods from July 2018 to December 2020 aggregating Rs 1,384.644 million primarily related to construction/building material.

As per management, meritorious grounds exist to support the position that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Company. Therefore, such credit of input sales tax has not been reversed in these financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives. Consequently, no provision has been made in these financial statements on this account.

16.1.7 The DCIR passed an order dated August 20, 2021 for tax periods July 2017 to June 2018, whereby, a demand was raised for recovery of sales tax of Rs 5,795.981 million, including applicable default surcharge and penalty (amounting to Rs 275.999 million) imposed under sections 34 and 33(5) of the Sales Tax Act, 1990 respectively. The demand was raised mainly on account of alleged suppression of production and sales of cement and disallowance of input sales tax on various goods and services (including that related to fixed assets and building materials).

Further for these tax periods, a Federal Excise Duty ('FED') demand of Rs 2,884.751 million, along with applicable default surcharge and penalty was also raised by the DCIR on November 30, 2021 under relevant provisions of the Federal Excise Act, 2005 solely on account of alleged suppression of production and sales of cement on bases identical to those framed through order dated August 20, 2021.

The Company had preferred appeal before the CIR(A) against the said orders, whereby through CIR(A)'s order dated March 29, 2022 decision has been made in the Company's favour as the matter has been remitted back to learned DCIR to adjudcate the matter afresh. The department has, however, appealed against this decision before the ATIR.

The management, on the basis of consultation with its legal counsel and the favorable decision of the CIR(A), considers that meritorious grounds exist to defend the company's stance and that such sales tax & FED demands are not likely to sustain appellate review by appellate authorities. Consequently, no provision has been created in these financial statements on this account.

16.1.8 The banks have issued the following guarantees on Company's behalf in favour of:

- Collector of Customs, Excise and Sales Tax against levy of sales tax, custom duty and excise amounting to Rs 30.538 million (2021: Rs 30.538 million).

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 1,287.900 million (2021: Rs 937.900 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organization amounting to Rs 0.5 million (2021: Rs 0.5 million).

- Sui Northern Gas Pipelines Limited against supply of 6 MMCFD and 14 MMCFD gas for captive use at plants at Khairpur and at D.G. Khan respectively amounting to Rs 544.414 million (2021: Rs 544.414 million).

- Sindh High Court against levy of sales tax, custom duty and excise amounting to Rs 176.860 million (2021: Rs 176.860 million).

- Pakistan Railways against supply of cement amounting to Rs 7.075 million (2021: 4.540 million).

16.1.9 The Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs 1,262.243 million (2021: Rs 1,277.099 million).

16.1.10 The Company has issued a post dated cheque in favour of Nazir of the High Court of Sindh amounting to Rs 227.760 million (2021: Rs 227.760 million) against the Industrial Support Package Adjustment on K-Electric electricity bills.

16.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 164.581 million (2021: Rs 552.595 million).

(ii) Letters of credit for capital expenditure Rs 1,254.466 million (2021: Rs 28.431 million).

(iii) Letters of credit other than capital expenditure Rs 3,037.820 million (2021: Rs 947.978 million).

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

	2022	2021
	(Rupees in thousand)	
Not later than one year	425	425
Later than one year and not later than five years	1,699	1,699
Later than five years	3,887	4,299
	6,011	6,423

17. Property, plant and equipment

		2022	2021
Operating fixed assets	- note 17.1	81,934,028	77,140,261
Capital work-in-progress	- note 17.2	724,168	7,726,720
Major spare parts and stand-by equipment	- note 17.3	145,664	153,128
		82,803,860	85,020,109

17.1 Operating fixed assets

(Rupees in thousand)

	2022						
	Cost as at July 01, 2021	Additions / (deletions)	Cost as at June 30, 2022	Accumulated depreciation and impairment as at July 01, 2021	Depreciation charge / (deletions) for the year	Accumulated depreciation and impairment as at June 30, 2022	Book value as at June 30, 2022
Freehold land - note 17.1.2	1,785,959	18,858	1,804,817	-	-	-	1,804,817
Leasehold land	263,000	-	263,000	42,239	8,767	51,006	211,994
Buildings on freehold land							
- Factory building	22,043,479	1,151,266	23,194,745	6,997,602	791,307	7,788,909	15,405,836
- Office building and housing colony	3,599,679	381,253	3,980,932	844,594	142,055	986,649	2,994,283
Roads	2,322,250	127,238	2,449,488	856,914	151,978	1,008,892	1,440,596
Plant and machinery	71,929,058	6,761,000	78,690,058	21,805,276	2,170,579	23,975,855	54,714,203
Quarry equipment	4,471,330	2,282	4,473,612	2,192,276	183,734	2,376,010	2,097,602
Furniture and fittings	497,808	20,451	518,259	333,398	52,315	385,713	132,546
Office equipment	551,050	38,182	589,215	384,354	54,100	438,442	150,773
		(17)			(12)		
Vehicles	887,008	158,227	970,522	453,323	77,602	481,400	489,122
		(74,713)			(49,525)		
Aircraft	328,752	-	328,752	314,061	4,406	318,467	10,285
Power and water supply lines	3,953,150	69,311	4,022,461	1,268,227	272,263	1,540,490	2,481,971
	112,632,523	8,728,068	121,285,861	35,492,264	3,909,107	39,351,833	81,934,028
		(74,730)			(49,537)		

2021 (Rupees in thousand)

	Cost as at July 01, 2020	Additions / (deletions)	Cost as at June 30, 2021	Accumulated depreciation and impairment as at July 01, 2020	Depreciation charge / (deletions) for the year	Accumulated depreciation and impairment as at June 30, 2021	Book value as at June 30, 2021
Freehold land	1,790,135	(4,175)	1,785,959	-	-	-	1,785,959
Leasehold land	263,000	-	263,000	33,472	8,766	42,239	220,761
Buildings on freehold land							
- Factory building	21,638,414	405,065	22,043,479	6,220,613	776,989	6,997,602	15,045,877
- Office building and housing colony	3,261,355	338,324	3,599,679	706,467	138,128	844,594	2,755,085
Roads	2,308,029	14,221	2,322,250	694,231	162,683	856,914	1,465,336
Plant and machinery	69,075,852	2,853,206	71,929,058	20,032,747	1,772,528	21,805,276	50,123,783
Quarry equipment	4,426,566	44,764	4,471,330	1,990,382	201,895	2,192,276	2,279,054
Furniture and fittings	477,269	20,538	497,808	266,044	67,354	333,398	164,410
Office equipment	533,531	17,519	551,050	314,777	69,577	384,354	166,695
Vehicles	882,244	54,535	887,008	404,880	78,904	453,323	433,686
		(49,770)			(30,462)		
Aircraft	328,752	-	328,752	307,767	6,295	314,061	14,691
Power and water supply lines	3,943,308	9,843	3,953,150	970,539	297,688	1,268,227	2,684,924
	108,928,455	3,758,015	112,632,523	31,941,919	3,580,807	35,492,264	77,140,261
		(53,945)			(30,462)		

17.1.1 Freehold land and building include book values of Rs 12 million (2021: Rs 12 million) and Rs 4.252 million (2021: Rs 4.475 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defence Housing Authority, Lahore, where the bye-laws restrict transfer of title of the residential property in the name of the Company.

17.1.2 Following are the particulars of the Company's immovable fixed assets:

Location	Usage of immovable property	2022 Total Area (in Acres)	2021 Total Area (in Acres)
Hub, Mauza Chichai, Balochistan	Plant site and staff colony	1467.5	1466.5
Khairpur district, Chakwal, Punjab	Plant site and staff colony	901.5	901.5
Kanrach Nai, District Lasbela, Balochistan	Source of raw material	723.14	723.14
Dera Ghazi Khan, Punjab	Plant site and staff colony	590	590
Lakho Dair, Lahore, Punjab	Processing site	44	44
Gulberg, Lahore, Punjab	Administrative offices	1.5	1.5
Others	Sales offices	0.28	0.28

17.1.3 The depreciation charge for the year has been allocated as follows:

		2022 (Rupees in thousand)	2021 (Rupees in thousand)
Cost of sales	- note 29	3,849,213	3,515,615
Administrative expenses	- note 30	49,709	55,630
Selling and distribution expenses	- note 31	10,185	9,562
		3,909,107	3,580,807

17.1.4 Sale of operating fixed assets

Detail of operating fixed assets sold during the year is as follows:

2022 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on sale	Mode of sale
Vehicles	Outside party					
	Syed Raza	15,536	3,528	9,000	5,472	Negotiation
	M/s Mindbridge (Private) Limited	40,775	9,981	75,000	65,019	Auction
	Muhammad Ali Hijazi	10,502	9,113	7,700	(1,413)	Negotiation
	Related Party					
	Security General Insurance Company Limited	3,323	1,106	3,288	2,182	Insurance claim

2021 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (loss) on sale	Mode of sale
Plant and machinery	Outside party					
	Muhammad Adrees	4,175	4,175	18,400	14,225	Negotiation
Vehicles	Employee					
	Nazar Hussain Bhutta	1,971	749	749	-	As per Company policy
	Dr. Hafeez Ullah Shah	1,971	759	759	-	-do-
	Iftikhar Ahmed	1,971	711	711	-	-do-
	Qazi Hizbur Rehman	1,683	867	867	-	-do-
	Nazir Hussain	1,771	677	677	-	-do-
	Outside parties					
	Muhammad Saeed	4,309	2,138	5,131	2,993	Auction
	Asif Rana	4,517	1,320	4,548	3,228	-do-
	Hassan Mobeen Alam	6,294	2,368	7,887	5,519	-do-
	Khurram Ayub	6,448	2,263	6,489	4,226	-do-
	Saad Farrukh Pasha	9,169	5,025	9,300	4,275	-do-
	Muhammad Naeem Akhtar	2,550	667	2,055	1,388	-do-
	Syed Muhammad Naeem	1,971	656	2,278	1,622	-do-

17.2 Capital work-in-progress

2022 (Rupees in thousand)

	Balance as at July 1, 2021	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Balance as at June 30, 2022
Civil works	1,457,071	397,780	-	-	-	(1,527,040)	-	327,811
Plant and machinery	5,864,018	525,260	59,578	-	152,220	(6,241,547)	(28,534)	330,995
Advances to suppliers and contractors	84,336	119,813	-	-	(152,220)	-	-	51,929
Others	321,295	121,390	-	(396)	-	(428,856)	-	13,433
	7,726,720	1,164,243	59,578	(396)	-	(8,197,443)	(28,534)	724,168

2021 (Rupees in thousand)

	Balance as at July 1, 2020	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Balance as at June 30, 2021
Civil works	1,608,931	694,346	-	-	(29,028)	(817,178)	-	1,457,071
Plant and machinery	4,403,532	3,617,639	-	(4,041)	274,430	(2,368,959)	(58,583)	5,864,018
Advances to suppliers and contractors	191,287	76,227	-	-	(183,178)	-	-	84,336
Others	154,509	27,757	203,059	-	(62,224)	(1,806)	-	321,295
	6,358,259	4,415,969	203,059	(4,041)	-	(3,187,943)	(58,583)	7,726,720

	2022	2021
	(Rupees in thousand)	

17.3 Major spare parts and stand-by equipment

	2022	2021
The reconciliation of carrying amount is as follows:		
Balance at the beginning of the year	153,128	192,500
Additions during the year	131,525	175,553
	284,653	368,053
Transfers made during the year	(138,989)	(214,925)
Balance at the end of the year	145,664	153,128

17.4 All property, plant and equipment are pledged as security against long term finances as referred to in note 7.

18. Intangible assets

This represents computer software. The reconciliation of carrying amount is as follows:

		2022	2021
		(Rupees in thousand) Computer Software	
COST			
Balance as at July 01		-	-
Additions during the year		21,500	-
Balance as at June 30		21,500	-
AMORTIZATION			
Balance as at July 01		-	-
Charge for the year	- note 30	4,181	-
Balance as at June 30		4,181	-
Book value as at June 30		17,319	-
Annual amortisation rate %		33.33%	Nil

		2022	2021
		(Rupees in thousand)	

19. Investments

These represent the long term investments in:

		2022	2021
- Related parties	- note 19.1	12,786,427	15,868,275
- Others	- note 19.2	79,718	97,536
		12,866,145	15,965,811

		2022	2021
		(Rupees in thousand)	
19.1 Related parties			
Subsidiaries - unquoted - at cost:			
Nishat Paper Products Company Limited			
25,595,398 (2021: 25,595,398) fully paid ordinary shares of Rs 10 each Equity held: 55% (2021: 55%) Cost - Rs 250.811 million (2021: Rs 250.811 million) Cumulative impairment loss - Nil (2021: Nil)	- note 19.1.1	250,811	250,811
Nishat Dairy (Private) Limited			
270,000,000 (2021: 270,000,000) fully paid ordinary shares of Rs 10 each Equity held: 55.10% (2021: 55.10%) Cost - Rs 2,331.900 million (2021: Rs 2,331.900 million) Cumulative impairment loss - Rs 162.789 million (2021: Rs 162.789 million)	- note 19.1.2	2,169,111	2,169,111
	sub-total	2,419,922	2,419,922
FVOCI - quoted:			
Nishat (Chunian) Limited			
7,173,982 (2021: 7,173,982) fully paid ordinary shares of Rs 10 each Equity held: 2.99% (2021: 2.99%) Cost - Rs 75.565 million (2021: Rs 75.565 million)		321,323	360,780
MCB Bank Limited			
21,305,315 (2019: 21,305,315) fully paid ordinary shares of Rs 10 each Equity held: 1.80% (2021: 1.80%) Cost - Rs 125.834 million (2021: Rs 125.834 million)		2,620,141	3,405,228
Adamjee Insurance Company Limited			
27,877,735 (2021: 27,877,735) fully paid ordinary shares of Rs 10 each Equity held: 7.97% (2021: 7.97%) Cost - Rs 1,239.698 million (2021: Rs 1,239.698 million)		879,821	1,156,090
Nishat Mills Limited			
30,289,501 (2021: 30,289,501) fully paid ordinary shares of Rs 10 each Equity held: 8.61% (2021: 8.61%) Cost - Rs 1,326.559 million (2021: Rs 1,326.559 million)		2,238,748	2,826,026
	sub-total	6,060,033	7,748,124

		2022	2021
		(Rupees in thousand)	
FVOCI - unquoted:			
Nishat Hotels and Properties Limited			
104,166,667 (2021: 104,166,667) fully paid ordinary shares of Rs 10 each Equity held: 10.42% (2021: 10.42%) Cost - Rs 1,041.667 million (2021: Rs 1,041.667 million)	- note 19.1.3	1,920,481	2,055,208
Hyundai Nishat Motor (Private) Limited			
94,873,000 (2021: 94,873,000) fully paid ordinary shares of Rs 10 each Equity held: 10% (2021: 10%) Cost - Rs 948.7 million (2021: Rs 948.7 million)	- note 19.1.4	2,385,991	3,645,021
	sub-total	4,306,472	5,700,229
		12,786,427	15,868,275

19.1.1 Nishat Paper Products Company Limited is principally engaged in the manufacture and sale of paper products (packaging material). The registered office of the subsidiary is situated at 53-A, Nishat House, Lawrence Road, Lahore and the manufacturing facility is located at Khairpur, District Chakwal on the Company's land.

19.1.2 The principal activity of Nishat Dairy (Private) Limited is to carry on the business of production of raw milk. The registered office of the subsidiary is situated at 53-A, Nishat House, Lawrence Road, Lahore and its production facility and factory is situated at 1- KM Sukheki Road, Pindi Bhattian.

19.1.3 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of 'Nishat Emporium'. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs 18.44 per ordinary share as at June 30, 2022 (2021: Rs 19.73 per share) through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 44.3 to these financial statements. The fair value loss of Rs 134.727 million is included in the fair value loss recognised during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

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

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

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

- Discount rate of 14.14% per annum.

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

- Annual growth in costs is linked to inflation at 7.00% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 276.884 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 124.648 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 0.805 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 1.610 million higher.

19.1.4 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited ('HNMPL') that has setup up a greenfield project for assembly and sales of Hyundai Motor Company passenger and commercial vehicles. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs 25.15 per ordinary share as at June 30, 2022 (2021: Rs 38.42 per share) through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 44.3 to these financial statements. The fair value loss of Rs 1,259.029 million is included in the fair value loss recognised during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

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

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

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

- Discount rate of 20.94% per annum.

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

- Annual growth in costs are linked to inflation and currency devaluation at 10% per annum and revenues are linked to currency devaluation at 10% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 117.421 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 50.544 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 777.177 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 34.219 million lower.

	2022	2021
	(Rupees in thousand)	
19.2 Others		
FVOCI - quoted:		
Pakistan Petroleum Limited		
821,626 (2021: 821,626) fully paid ordinary shares of Rs 10 each Equity held: 0.03% (2021: 0.03%) Cost - Rs 117.405 million (2021: Rs 117.405 million)	55,468	71,342
United Bank Limited		
214,354 (2021: 214,354) fully paid ordinary shares of Rs 10 each Equity held: 0.02% (2021: 0.02%) Cost - Rs 33.646 million (2021: Rs 33.646 million)	24,250	26,194
	79,718	97,536
19.3 Reconciliation of carrying amount		
Balance as at beginning of the year	15,965,811	11,849,828
Investments made during the year	-	201,230
	15,965,811	12,051,058
Fair value (loss)/gain recognized in other comprehensive income	(3,099,666)	3,914,753
Balance as at end of the year	12,866,145	15,965,811

19.4 3,860,267 (2021: 3,860,267) shares of MCB Bank Limited are blocked in Central Depository Company ('CDC') account.

20. Long term deposits

These represent security deposits against various goods and services. These deposits have not been carried at amortised cost mainly because the period after which the deposits are to be refunded is indefinite. Further, the effect of discounting is immaterial in the context of these financial statements.

	2022	2021
	(Rupees in thousand)	
21. Stores, spare parts and loose tools		
Stores [including in transit: Rs 160.027 million (2021: Rs 3,607.87 million)]	9,680,336	6,625,791
Spare parts [including in transit Rs 259.788 million (2021: Rs 212.334 million)]	7,079,901	6,206,165
Loose tools	53,646	47,392
	16,813,883	12,879,348

21.1 Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable.

22. Stock-in-trade

	2022	2021
	(Rupees in thousand)	
Raw materials	217,744	249,513
Packing material	414,913	386,230
Work-in-process	4,612,748	1,538,676
Finished goods	736,110	554,170
	5,981,515	2,728,589

23. Trade debts

		2022	2021
		(Rupees in thousand)	
Related parties	- note 23.1	19,697	16,222
Others		1,563,561	1,766,429
		1,583,258	1,782,651
Loss allowance	- note 23.2	(115,396)	(106,406)
		1,467,862	1,676,245

23.1 This is from the following related parties:

	2022	2021
Nishat Mills Limited	5,575	7,164
Nishat Linen (Private) Limited	-	383
Nishat Hotels and Properties Limited	1,154	2,154
Nishat Hospitality (Private) Limited	107	107
Nishat (Chunian) Limited	-	89
Nishat Dairy (Private) Limited	684	1,755
Hyundai Nishat Motor (Private) Limited	12,037	4,430
Nishat Agriculture Farming (Private) Limited	140	140
	19,697	16,222

23.1.1 The maximum aggregate amount outstanding at the end of any month during the year was Rs 19.697 million (2021: Rs 16.222 million). The aging analysis of trade debts from related parties that are past due and carry loss allowance is as follows:

	2022	2021
	(Rupees in thousand)	
Up to 90 days	15,836	12,918
91 to 180 days	2,042	648
181 to 365 days	330	875
Above 365 days	1,489	1,781
	19,697	16,222
Loss allowance	(724)	(426)
	18,973	15,796

		2022	2021
		(Rupees in thousand)	

23.2 Loss allowance

The reconciliation of loss allowance is as follows:

		2022	2021
Balance at the beginning of the year		106,406	211,109
Loss allowance recognized/(reversed) during the year		8,990	(104,703)
Balance as at end of the year		115,396	106,406

24. This represents the following quoted investments in related parties:

FVOCI:
Nishat (Chunian) Limited

		2022	2021
100,620 (2021: 100,620) fully paid ordinary shares of Rs 10 each			
Equity held: 0.042% (2021: 0.042%)			
Cost - Rs 0.832 million (2021: Rs 0.832 million)		4,507	5,060
MCB Bank Limited			
80,971,917 (2021: 80,971,917) fully paid ordinary shares of Rs 10 each			
Equity held: 6.83% (2021: 6.83%)			
Cost - Rs 478.234 million (2021: Rs 478.234 million)		9,957,914	12,941,726
		9,962,421	12,946,786

24.1 Reconciliation of carrying amount

		2022	2021
Opening balance		12,946,786	13,126,388
Fair value loss recognized in other comprehensive income		(2,984,365)	(179,602)
Closing balance		9,962,421	12,946,786

25. Loans, advances, deposits, prepayments and other receivables

		2022	2021
Current portion of loans to employees		735	1,029
Advances			
- To employees		93,155	7,968
- To suppliers		599,193	79,043
		692,348	87,011
Prepayments		7,732	2,795
Mark-up receivable from related party	- note 25.1	-	5,363
Due from related parties	- note 25.2	1,832	-
Letters of credit - margins, deposits, opening charges etc.		8,365	1,493
Balances with statutory authorities:			
- Sales tax	- notes 25.3	595,925	225,253
- Excise duty		-	24,620
- Export rebate		10,071	4,650
		605,996	254,523
Other advances	- note 25.4	106,907	106,907
Other receivable	- note 25.5	6,698	29,445
		1,430,613	488,566

25.1 This represents mark-up receivable from Nishat Hotels and Properties Limited, a related party, on the loan referred to in note 26. The maximum aggregate amount outstanding at the end of any month during the year was Rs 5.724 million (2021: Rs 5.363 million). It is neither past due nor impaired.

25.2 This represents receivable from Nishat Sutas Dairy Limited and Hyundai Nishat Motor (Private) Limited, related parties, amounting to Rs 1.511 million (2021: Nil) and Rs 0.320 million (2021: Nil) respectively, on account of shared expenses. The maximum aggregate amount outstanding at the end of any month during the year from such related parties was Rs 1.832 million (2021: Nil). The balances are neither past due nor impaired

25.3 Sales tax recoverable includes amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Company has filed appeals against the demands at different forums as referred to in note 16.

25.4 Furthermore, the vires of section 8(h) and (i) of the Sales Tax Act, 1990 (the "Act"), in the context of disallowance of adjustment of input tax on goods used for taxable services, was called in question by the Company. The honourable Lahore High Court vide its order dated January 29, 2020 on the basis of its reading of sections 7 and 8 of the Act, observed that input tax paid on goods can be deducted or reclaimed, only if such goods are used for the purpose of taxable supplies. Thus, in light of the said observation, the case was disposed of with a direction to the tax authorities to determine each and every case on its merits and allow adjustment of input tax on goods used for taxable supplies. Management is confident that the input tax already claimed shall not be disallowed by the relevant tax authorities.

25.5 This represents an amount of Rs 106.907 million (2021: Rs 106.907 million) deposited with the Nazir of Sindh High Court pursuant to an interim order issued by the Sindh High Court in respect of a petition filed by the Company against the Fuel Charges Adjustment ('FCA') charged by K-Electric Limited for the period from July 2016 to June 2019.

25.6 Includes a receivable of Rs 6.160 million (2021: Rs 5 million) from Hyundai Nishat Motor (Private) Limited, and a receivable of Nil (2021: Rs 25.636 million) from Security General Insurance Company Limited in respect of insurance claims, all being the related parties of the Company. The maximum aggregate amount outstanding at the end of any month during the year of Hyundai Nishat Motor (Private) Limited and Security General Insurance Company Limited was Rs 6.160 million (2021: Rs 5 million) and Nil (2021: Rs 25.636 million), respectively. These amounts are neither past due nor impaired.

26. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount was repaid on December 23, 2021. It carried markup at the rate of 1 month KIBOR + 1% per annum. The loan was secured through corporate guarantee of 110% of the loan amount issued by NHPL in favour of the Company. The effective markup rate charged during the year was 8.44% per annum which is above the borrowing cost of the Company. Reconciliation of the carrying amount is as follows:

	2022	2021
	(Rupees in thousand)	
Opening balance	765,000	765,000
Recovery during the year	(765,000)	-
Closing balance	-	765,000

27. Cash and bank balances

		2022	2021
At banks:			
Savings accounts			
Local currency	- notes 27.1, 27.2 & 27.3	82,023	40,154
Foreign currency: US$ 1,277,401 (2021: US$ 842,124)		261,671	132,671
Current accounts		66,581	632,772
		410,275	805,597
In hand		528	776
		410,803	806,373

27.1 The balances in saving accounts bear mark-up 12% per annum (2021: 5.8% to 8% per annum).

27.2 Included in balances at banks on saving accounts are Rs 14.480 million (2021: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 14.4.

27.3 Included in balances at banks in saving accounts is Rs 0.004 million (2021: Rs 0.004 million) which relates to unpaid dividend held by the Company.

28. Revenue

		2022	2021
		(Rupees in thousand)	
Local sales		68,130,124	53,072,823
Export sales	- note 28.1	9,472,015	9,584,153
		77,602,139	62,656,976
Less:			
Sales tax and federal excise duty		18,651,861	16,873,292
Trade discount		475,815	542,562
Commission to stockists and export agents		190,609	133,432
Ocean freight	- note 28.2	239,991	-
		19,558,276	17,549,286
		58,043,863	45,107,690

28.1 Export sales include rebate on exports amounting to Rs 7.53 million (2021: Rs 3.57 million).

28.2 Represents freight cost incurred upon shipping goods to export customers under cost and freight terms in the capacity of agent.

29. Cost of sales

		2022	2021
		(Rupees in thousand)	
Raw materials consumed		807,203	645,175
Packing materials consumed		3,503,526	2,971,994
Salaries, wages and other benefits	- note 29.1	4,075,273	3,537,996
Fuel and power		33,172,402	19,204,072
Stores and spares consumed		3,022,003	3,029,463
Repairs and maintenance		260,178	567,319
Insurance		123,010	113,908
Depreciation on operating fixed assets	- note 17.1.3	3,849,213	3,515,615
Royalty	- note 29.2	1,114,510	1,133,211
Excise duty		49,051	48,848
Vehicle running		271,119	157,893
Security expenses		190,804	146,566
Input sales tax written off		71,264	-
Postage, telephone and telegram		9,971	11,489
Printing and stationery		15,339	14,236
Legal and professional charges		6,629	7,071
Travelling and conveyance		10,880	7,201
Plant cleaning and gardening expenses		41,949	36,824
Rent, rates and taxes	- note 29.3	173,513	120,335
Freight charges		44,030	31,150
Water charges		11,737	23,711
Other expenses		70,421	64,164
		50,894,025	35,388,241
Opening work-in-process	- note 22	1,538,675	3,361,646
Closing work-in-process	- note 22	(4,612,748)	(1,538,675)
		(3,074,073)	1,822,971
Cost of goods manufactured		47,819,952	37,211,212
Opening stock of finished goods	- note 22	554,170	411,743
Closing stock of finished goods	- note 22	(736,110)	(554,170)
		(181,940)	(142,427)
Own consumption		(22,461)	(32,987)
		47,615,551	37,035,798

29.1 Salaries, wages and other benefits include Rs 92.532 million (2021: Rs 80.893 million), in respect of provident fund contribution by the Company. Further, the provision for gratuity and accumulating compensated absences included in the above is as follows:

	2022	2021
	(Rupees in thousand)	
Gratuity		
Current service cost	69,870	64,862
Interest cost for the year	68,318	52,290
Interest income on plan assets	(40,959)	(29,169)
	97,229	87,983
Accumulating compensated absences		
Current service cost	46,206	42,244
Interest cost for the year	10,816	9,029
Remeasurements	2,670	(7,725)
	59,692	43,548

29.2 This represents royalty to Governments of Punjab and Balochistan for extraction of raw materials as per relevant laws.

29.3 This includes rentals of heavy machinery used at quarry site where raw materials i.e. clay and limestone, are extracted.

30. Administrative expenses

		2022	2021
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 30.1	358,320	333,021
Electricity, gas and water		58,408	43,216
Repairs and maintenance		8,363	11,132
Insurance		18,076	16,135
Amortization of intangible assets	- note 18	4,181	-
Depreciation on operating fixed assets	- note 17.1.3	49,709	55,630
Vehicle running		21,050	17,215
Postage, telephone and telegram		8,813	7,212
Printing and stationery		25,701	10,656
Legal and professional services	- note 30.2	40,433	42,654
Travelling and conveyance		61,759	40,879
Rent, rates and taxes		444	486
Entertainment		2,713	4,274
School expenses		51,273	41,228
Fee and subscription		25,990	13,985
Other expenses		15,819	9,039
		751,052	646,762

30.1 Salaries, wages and other benefits includes Rs 11.192 million (2021: Rs 10.060 million) in respect of provident fund contribution by the Company. Further, the provision for gratuity and accumulating compensated absences included in the above is as follows:

	2022	2021
	(Rupees in thousand)	
Gratuity		
Current service cost	10,782	10,239
Interest cost for the year	10,542	8,254
Interest income on plan assets	(6,320)	(4,604)
	15,004	13,889
Accumulating compensated absences		
Current service cost	7,053	6,689
Interest cost for the year	1,651	1,430
Remeasurements	408	(1,223)
	9,112	6,896

		2022	2021
		(Rupees in thousand)	

30.2 Legal and professional charges

	2022	2021
Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:		
Statutory audits	3,350	3,190
Half-yearly review	846	806
Tax services	8,300	8,300
Certifications required under various regulations	140	140
Out of pocket expenses	790	790
	13,426	13,226

31. Selling and distribution expenses

		2022	2021
Salaries, wages and other benefits	- note 31.1	246,711	223,142
Electricity, gas and water		3,557	2,652
Repairs and maintenance		1,554	1,450
Insurance		3,289	2,934
Depreciation on operating fixed assets	- note 17.1.3	10,185	9,562
Vehicle running		11,759	7,111
Postage, telephone and telegram		4,101	3,817
Printing and stationery		2,219	1,959
Rent, rates and taxes	- note 31.2	4,708	3,562
Travelling and conveyance		2,226	1,953
Entertainment		1,741	1,198
Advertisement and sales promotion		12,089	1,800
Freight and handling charges		1,415,308	1,658,479
Legal and professional charges		4,419	-
Other expenses		24,993	30,437
		1,748,859	1,950,056

31.1 Salaries, wages and other benefits includes Rs 9.992 million (2021: Rs 8.990 million) in respect of provident fund contribution by the Company. Further, the provision for gratuity and accumulating compensated absences included in the above is as follows:

	2022	2021
	(Rupees in thousand)	
Gratuity		
Current service cost	7,118	6,824
Interest cost for the year	6,960	5,502
Interest income on plan assets	(4,173)	(3,069)
	9,905	9,257
Accumulating compensated absences		
Current service cost	4,671	4,509
Interest cost for the year	1,093	964
Remeasurements	270	(824)
	6,034	4,649

31.2 This includes lease rentals of Rs Nil (2021: Rs 1.050 million).

		2022	2021
		(Rupees in thousand)	

32. Other expenses

		2022	2021
Workers' profit participation fund	- note 12.4	189,886	256,854
Workers' welfare fund	- note 12.5	839	97,649
Donations	- note 32.1	1,500	1,504
Exchange loss	- note 32.2	839,234	58,308
Miscellaneous		11,344	-
		1,042,803	414,315

32.1 Includes donation amounting to Rs 1.5 million (2021: Rs 1.5 million) made to Pakistan Agricultural Coalition. None of the directors or their spouses have any interest in the donee.

32.2 Includes exchange loss incurred on foreign currency short term borrowings amounting to Nil (2021: Rs 481.55 million).

		2022	2021
		(Rupees in thousand)	

33. Other income

		2022	2021
Income on bank deposits		8,102	14,121
Mark-up on loan to related party	- note 33.1	32,519	64,517
Dividend income from:			
- Related parties	- note 33.2	2,295,787	2,192,533
- Others		6,948	4,948
		2,302,735	2,197,481
Rental income		1,676	1,561
Reversal of provision for workers' welfare fund	- note 12.5	96,051	-
Gain on disposal of operating fixed assets		74,399	39,735
Scrap sales		197,461	167,730
Provisions and unclaimed balances written back		-	34,848
Others		1,397	6,825
		2,714,340	2,526,818

33.1 This is from Nishat Hotels and Properties Limited, a related party, on the loan as referred to in note 26.

	2022	2021
	(Rupees in thousand)	

33.2 Dividend income from related parties

	2022	2021
Nishat Mills Limited	121,158	121,158
Adamjee Insurance Company Limited	83,633	69,694
MCB Bank Limited	1,994,406	1,994,406
Nishat (Chunian) Limited	58,197	7,275
Nishat Paper Products Company Limited	38,393	-
	2,295,787	2,192,533

		2022	2021
		(Rupees in thousand)	

34. Finance cost

		2022	2021
Interest and mark-up on:			
- Long term finances - secured	- note 34.1	1,921,319	1,645,064
- Short term borrowings - secured		1,623,338	1,241,045
Guarantee commission		-	6,995
Bank charges		26,530	27,771
		3,571,187	2,920,875

34.1 Included in this is the finance cost on ITERF and Islamic re-finance facilities for payment of salaries and wages, which has been set off against the amount of unwinding of grant as referred in note 8.

		2022	2021
		(Rupees in thousand)	

35. Taxation

		2022	2021
Current:			
- For the year		1,371,940	909,294
- Prior years'		46,345	-
		1,418,285	909,294
Deferred	- note 11	1,629,344	140,838
		3,047,629	1,050,132

35.1 Tax charge reconciliation

	2022 %	2021 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate as per Income Tax Ordinance, 2001	29.00	29.00
Tax effect of:		
- Amounts that are not deductible for tax purposes - net	0.27	0.23
- Change in prior years' tax	(1.34)	(1.98)
- Effect of Super tax	29.40	-
- Previously recognized deferred tax asset written off	10.10	-
- Change in allocation ratio of temporary differences among Normal Tax Regime and Final Tax Regime	(12.67)	-
- Amounts allocated to Normal Tax Regime	-	(1.01)
- Income chargeable under Final Tax Regime	(4.13)	(4.23)
	21.63	(6.99)
Average effective tax rate	50.63	22.01

36. Earnings per share

36.1 Earnings per share - Basic

		2022	2021
Profit for the year	Rupees	2,972,132,130	3,721,273,000
Weighted average number of ordinary shares	Number	438,119,118	438,119,118
Earnings per share - basic	Rupees	6.78	8.49

36.2 Earnings per share - Diluted

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2022, and June 30, 2021, which would have any effect on the earnings per share if the option to convert is exercised.

37. Remuneration of Chief Executive, Directors and Executives

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, directors and executives of the Company are as follows:

	(Rupees in thousand)					
	Chief Executive		Executive Director		Executives	
	2022	2021	2022	2021	2022	2021
Short term employee benefits						
Managerial remuneration	34,907	45,795	22,339	20,348	833,748	702,899
Housing	-	-	335	335	373	373
Utilities	-	-	443	342	-	342
Leave passage	-	-	-	-	39,188	17,908
Bonus	2,266	-	1,692	-	134,108	137,930
Medical expenses	367	620	470	526	20,858	19,345
Others	19,674	17,695	918	637	137,741	85,019
Post employment benefits						
Contributions to Provident and Gratuity Fund	-	-	4,095	3,731	91,037	78,581
	57,214	64,110	30,292	25,919	1,257,053	1,042,397
Number of persons	1	1	1	1	238	202

37.2 The Company also provides the Chief Executive, certain directors and executives with Company maintained car, travelling and utilities. Certain executives are provided with housing facilities.

37.3 During the year, the Company paid meeting fee amounting to Rs 910,000 (2021: Rs 945,000) to its non-executive directors. The number of non-executive directors is 5 (2021: 5).

		2022	2021
		(Rupees in thousand)	

38. Cash generated from operations

		2022	2021
Profit before tax		6,019,761	4,771,405
Adjustments for:			
- Depreciation on operating fixed assets	- note 17.1.3	3,909,107	3,580,807
- Amortization of intangible assets	- note 30	4,181	-
- Gain on disposal of operating fixed assets	- note 33	(74,399)	(39,735)
- Dividend income	- note 33	(2,302,735)	(2,197,481)
- Mark-up income	- note 33	(32,519)	(64,517)
- Provision for retirement benefits	- notes 10.1.5 & 10.2.2	196,976	166,222
- Exchange loss	- note 32	839,234	58,308
- Liabilities written back		-	(34,848)
- Impairment loss/(gain) on financial assets	- note 23.2	8,990	(104,703)
- Finance cost	- note 34	3,571,187	2,920,875
Profit before working capital changes		12,139,783	9,056,333
Effect on cash flows due to working capital changes:			
- Increase in stores, spares and loose tools		(3,934,535)	(4,641,358)
- (Increase)/decrease in stock-in-trade		(3,252,926)	1,624,406
- Decrease in trade debts		6,874	681,363
- (Increase)/decrease in loans, advances, deposits, prepayments and other receivables		(947,410)	135,440
- (Decrease)/increase in trade and other payables		(3,069,920)	3,616,245
		(11,197,917)	1,416,096
		941,866	10,472,429

39. Cash and cash equivalents

		2022	2021
Cash and bank balances	- note 27	410,803	806,373
Short term borrowings - secured	- note 13	(25,210,506)	(18,362,050)
		(24,799,703)	(17,555,677)

40. Transactions with related parties

The related parties include the subsidiaries, the Investor, related parties on the basis of common directorship, group companies, key management personnel and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these unconsolidated financial statements other than the following:

Relationship with the Company	Nature of transactions	2022 (Rupees in thousand)	2021 (Rupees in thousand)
i. Subsidiary companies	Purchase of goods	1,680,394	2,034,598
	Sales of goods and services	78,995	50,918
	Rental income	966	929
ii. Investor	Sale of goods	62,581	133,056
	Dividend paid	137,574	-
	Purchase of goods and services	324	-
iii. Other related parties	Sale of goods	104,658	23,442
	Insurance premium	193,087	172,777
	Purchase of goods and services	73,003	70,269
	Insurance claims	73,062	25,637
	Dividend paid	35,189	-
	Purchase of shares	-	176,107
iv. Key management personnel	Remuneration - note 39.1	257,687	249,334
	Dividend paid	39,943	-

40.1 This represents remuneration of the Chief Executive, executive director and certain executives that are included in the remuneration disclosed in note 37 to these unconsolidated financial statements.

40.2 The related parties with whom the Company had entered into transactions or had arrangements/agreements in place during the year have been disclosed below along with their basis of relationship:

Name	Relationship	%age of shareholding in the Company
Adamjee Insurance Company Limited	Group company	0.77%
Hyundai Nishat Motor (Private) Limited	Common directorship	N/A
Lalpir Power Limited	Common directorship	N/A
MCB Bank Limited	Group company	0%
Nishat (Chunian) Limited	Group company	N/A
Nishat Sutas Dairy Limited	Group company	N/A
Nishat Dairy (Private) Limited	Subsidiary	N/A
Nishat Hospitality (Private) Limited	Subsidiary of Investor	N/A
Nishat Hotels and Properties Limited	Common directorship	N/A
Nishat Agriculture Farming (Private) Limited	Common directorship	N/A
Nishat Linen (Private) Limited	Subsidiary of Investor	N/A
Nishat Mills Limited	Investor	31%
Nishat Paper Products Company Limited	Subsidiary	N/A
Pakgen Power Limited	Group company	N/A
Pakistan Aviators & Aviation (Private) Limited	Group company	N/A
Security General Insurance Company Limited	Group company	5.22%
Mr. Hassan Mansha	Close family member of director	6.19%
Mrs. Naz Mansha	Director/Chairperson	0.03%
Mr. Mahmood Akhtar	Director	N/A
Mr. Shahzad Ahmad Malik	Director	N/A
Mr. Khalid Niaz Khawaja	Director	N/A
Mr. Usama Mahmud	Director	N/A
Mr. Mian Raza Mansha	Director/Chief Executive	3.00%
Mrs. Ammil Raza Mansha	Spouse of Chief Executive	1.34%
Mr. Farid Noor Ali Fazal	Director	N/A
Mr. Arif Bashir	Key Management Personnel	N/A
Mr. Inayat Ullah Niazi	Key Management Personnel	0%
Company's Employees Gratuity Fund	Post Employment Benefit Plan	N/A
Company's Employees Provident Fund	Post Employment Benefit Plan	N/A

41. Plant capacity and actual production

		Capacity		Actual production	
		2022	2021	2022	2021
Clinker (Metric Tonnes)					
Plant I & II - D.G. Khan	- note 41.1	2,010,000	2,010,000	1,655,502	1,708,135
Plant III - Khairpur	- note 41.1	2,010,000	2,010,000	1,727,607	1,588,700
Plant IV - Hub	- note 41.1	2,700,000	2,700,000	2,987,085	2,958,342

41.1 Plant capacity is based on 300 working days, that can be exceeded if the plant is operational for more than 300 days during the year. Actual production at D. G. Khan and Khairpur site is less than the installed capacity due to planned maintenance shutdown and gap between market demand and supply of cement.

42. Number of employees

	2022	2021
	(USD in thousand)	
Total number of employees as at June 30	1,923	1,877
Average number of employees during the year	1,900	1,861

43. Provident fund related disclosures

Some of the conditions of provisions of section 218 of the Companies Act, 2017 have not been met while making investments by the provident fund in collective investment schemes, listed equity and debt securities. As at the reporting date, Company's Employees Provident Fund is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose.

44. Financial risk management

44.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Board of Directors ('the Board'). The Company's finance department evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions and recognised assets and liabilities that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, amounts payable to/receivable from foreign entities and short term borrowings.

	2022	2021
	(USD in thousand)	
Cash and bank balances	1,277	842
Trade receivables from foreign parties	965	1,112
Net asset exposure	2,242	1,954

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2022	2021	2022	2021
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
USD 1	178.01	157.13	205.50	157.54

At June 30, 2022, if the Rupee had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been Rs 30.879 million lower/higher (2021: Rs 21.856 million lower/higher) mainly as a result of foreign exchange gains/losses on translation of USD - denominated financial assets and liabilities.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of investments held by the Company and classified as fair value through other comprehensive income. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company’s certain investments in equity instruments are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarises the impact of increases/decreases of the KSE-100 index on the Company’s equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the Company’s equity investments moved according to the historical correlation with the index:

	Impact on other components of equity	
	2022	2021
	(Rupees in thousand)	
Pakistan Stock Exchange Limited	1,078,842	1,476,264

As at June 30, 2022, the Company had no investments classified as at fair value through profit or loss, hence there is no impact on the profit for the year.

(iii) Cash flow and fair value interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company’s interest rate risk arises from loan to related party, bank balances, short term and long-term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2022	2021
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	343,694	172,825
Financial liabilities		
Export finances	(5,162,000)	(4,159,500)
Net exposure	(4,818,306)	(3,986,675)
Floating rate instruments:		
Financial assets		
Loan to related party	-	765,000
Financial liabilities		
Long term finances	(17,036,958)	(20,679,530)
Short term borrowings	(20,048,506)	(14,202,550)
	(37,085,464)	(34,882,080)
Net exposure	(37,085,464)	(34,117,080)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2022, if interest rates on variable rate instruments had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been Rs 248.473 million (2021: Rs 242.231 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate instruments.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Company arises from deposits with banks and other financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022	2021
	(Rupees in thousand)	
Long term loans and deposits	61,526	57,513
Loan to related party	-	765,000
Trade debts	1,467,862	1,676,245
Loans, deposits and other receivables	9,265	35,837
Balances with banks	410,275	805,597
	1,948,928	3,340,192

(ii) Impairment of financial assets

The Company's financial assets, other than investments in equity instruments, are subject to the expected credit losses model. While bank balances, loans to employees, loan to related party, deposits and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and are therefore not exposed to any material credit risk.

Trade debts

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained from these customers to calculate the net exposure towards these customers. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before June 30, 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade debts. The Company has identified the Gross Domestic Product and the Consumer Price Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Security deposits pledged by the customers to Company have been regarded as collateral against trade receivables. These security deposits are in liquid form.

On that basis, the loss allowance as at June 30, 2022 and June 30, 2021 was determined as follows:

	Local sales			Export sales		
June 30, 2022	**Expected loss rate**	**Trade debts**	**Loss allowance**	**Expected loss rate**	**Trade debts**	**Loss allowance**
	%	**(Rupees in thousand)**		**%**	**(Rupees in thousand)**	
Net trade debts*						
Up to 30 days	0.04%	710,038	115	0%	45,532	-
31 to 60 days	0.10%	233,536	97	0%	21,757	-
61 to 90 days	0.27%	127,430	164	0%	60,676	-
91 to 120 days	0.59%	117,065	367	0%	-	-
121 to 150 days	1.79%	46,674	509	0%	5,845	-
151 to 180 days	4.92%	7,840	258	0%	-	-
181 to 210 days	8.11%	5,797	327	0%	22	-
211 to 240 days	13.30%	7,562	730	0%	-	-
241 to 270 days	18.19%	4,031	549	0%	-	-
271 to 300 days	24.24%	3,023	565	0%	-	-
301 to 330 days	35.76%	2,053	593	0%	-	-
331 to 360 days	45.27%	1,052	398	0%	-	-
Above 360 days	100.00%	46,171	46,171	100%	64,553	64,553
		1,312,272	50,843		198,385	64,553
Trade debts against which collateral is held		72,601	-		-	-
Gross Trade debts		**1,384,873**	**50,843**		**198,385**	**64,553**

June 30, 2021	Local sales Expected loss rate %	Local sales Trade debts (Rupees in thousand)	Local sales Loss allowance (Rupees in thousand)	Export sales Expected loss rate %	Export sales Trade debts (Rupees in thousand)	Export sales Loss allowance (Rupees in thousand)
Net trade debts*						
Up to 30 days	1.36%	741,980	533	0.00%	-	-
31 to 60 days	3.44%	248,175	482	0.00%	20,480	-
61 to 90 days	7.31%	279,155	1,574	0.00%	-	-
91 to 120 days	16.17%	125,200	1,925	0.00%	26,534	-
121 to 150 days	25.18%	27,085	1,006	0.00%	36,998	-
151 to 180 days	32.45%	6,029	382	0.00%	27,181	-
181 to 210 days	44.63%	5,920	625	0.00%	-	-
211 to 240 days	56.31%	2,175	380	0.00%	-	-
241 to 270 days	66.41%	2,518	602	0.00%	-	-
271 to 300 days	74.43%	33,420	11,111	0.00%	-	-
301 to 330 days	85.00%	2,079	1,080	0.00%	-	-
331 to 360 days	93.17%	436	296	0.00%	-	-
Above 360 days	100.00%	28,352	22,070	100.00%	64,340	64,340
		1,502,524	42,066		175,533	64,340
Trade debts against which collateral is held		104,594	-		-	-
Gross Trade debts		**1,607,118**	**42,066**		**175,533**	**64,340**

* This represents amounts net of trade debts against which security deposits and inland letters of credit, considered as collateral, are held amounting to Rs 72.601 million (2021: Rs 104.594 million) and Nil (2021: Nil), respectively.

The amount of loss allowance that best represents maximum exposure to credit risk at the end of the reporting period without taking into account any collateral is Rs 133.650 million (2021: Rs 125.594 million).

Default is triggered when more than 360 days have passed. The names of defaulting parties of outstanding trade debts from export sales and their respective default amount is as follows:

	2022 (Rupees in thousand)	2021 (Rupees in thousand)
Nobel Translink Private Limited	980	10,375
Chempex Industries	40	31
Hizbullah & Saeed Ullah House Limited	480	369
Vikrant Traders	62,469	47,969
A A Middle East FZE	131	101
Taruna Trading Company	1	4,011
Abhishek Trading Co.	1	-
Sai Enterprises	373	-
Square Corporation	-	1,080
Others	78	404
	64,553	64,340

(iii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired (mainly bank balances) can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating		
	Short term	Long term	Agency	2022	2021
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	261,671	132,671
Bank Islami Pakistan Limited	A1	A+	PACRA	435	228
The Bank of Punjab	A1+	AA+	PACRA	455	105
The Bank of Khyber	A1	A	PACRA	126	42
Citibank N.A.	F-1	A+	FITCH	12	12
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	36	0.63
MCB Bank Limited	A1+	AAA	PACRA	66,983	637,203
MCB Islamic Bank Limited	A1	A	PACRA	15,142	21,154
Meezan Bank Limited	A-1+	AAA	JCR-VIS	15	15
National Bank of Pakistan	A1+	AAA	PACRA	1,322	11,204
Silkbank Limited	A-2	A-	JCR-VIS	5	5
Soneri Bank Limited	A1+	AA-	PACRA	907	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,226	187
United Bank Limited	A-1+	AAA	JCR-VIS	60,137	1,437
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	36	27
Faysal Bank Limited	A1+	AA	PACRA	293	6
JS Bank Limited	A1+	AA-	PACRA	12	12
Samba Bank Limited	A-1	AA	JCR-VIS	-	1,071
Industrial and Commercial Bank of China	F1+	A+	FITCH	-	20
Habib Bank Limited - Islamic	A-1+	AAA	JCR-VIS	6	197
Askari Bank Limited	A1+	AA+	PACRA	456	-
				410,275	805,596

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines. At June 30, 2022, the Company had Rs 31,150 million available borrowing limits from financial institutions under short term mark up arrangements, Rs 18,600 million available borrowing limits from financial institutions under import finance facilities and Rs 410.803 million in cash and bank balances.

Management monitors the forecasts of the Company's cash and cash equivalents (note 39 to these financial statements) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

July 01, 2022	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years	Total contractual cashflows	Carrying value
	(Rupees in thousand)					
Long term finances	7,097,166	6,622,591	6,984,979	1,225,110	21,929,846	21,265,395
Trade and other payables	8,661,494	-	-	-	8,661,494	8,661,494
Long term deposits	59,047	23,225	104,035	94,869	281,177	281,177
Accrued mark-up	883,229	-	-	-	883,229	883,229
Short term borrowings						
- secured	25,210,506	-	-	-	25,210,506	25,210,506
Unclaimed dividend	34,512	-	-	-	34,512	34,512
	41,945,955	6,645,816	7,089,014	1,319,980	57,000,764	56,336,313

July 01, 2021	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years	Total contractual cashflows	Carrying value
	(Rupees in thousand)					
Long term finances	5,323,017	7,569,457	11,427,446	2,037,874	26,357,794	25,430,767
Trade and other payables	10,897,772	-	-	-	10,897,772	10,897,772
Long term deposits	51,868	20,402	91,387	83,335	246,992	246,992
Accrued mark-up	507,769	-	-	-	507,769	507,769
Short term borrowings						
- secured	18,362,050	-	-	-	18,362,050	18,362,050
Unclaimed dividend	33,517	-	-	-	33,517	33,517
	35,175,993	7,589,859	11,518,833	2,121,209	56,405,894	55,478,867

44.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the statement of financial position). Net debt is calculated as total borrowings (including current and non-current borrowings) including book overdraft (if any) less cash and bank balances and liquid investments.

The gearing ratios as at June 30, 2022 and 2021 were as follows:

		2022	2021
		(Rupees in thousand)	
Borrowings - notes 7, 13 and 15		46,475,901	43,810,865
Less: Cash and bank balances - note 27		410,803	806,373
Net debt		46,065,098	43,004,492
Total equity		69,918,102	73,477,873
Gearing ratio	Percentage	66%	59%

In accordance with the terms of agreements with the lenders of long term finances (as referred to in note 7 to these financial statements), the Company is required to comply with certain financial covenants. The Company has complied with these covenants throughout the reporting period except for certain covenants in respect of which the lenders have not raised any objection to the Company.

44.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

As at June 30, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investments - FVOCI	16,102,172	-	4,306,472	20,408,644
Total assets	16,102,172	-	4,306,472	20,408,644
Total liabilities	-	-	-	-
As at June 30, 2021				
Recurring fair value measurements				
Assets				
Investments - FVOCI	20,792,446	-	5,700,229	26,492,675
	20,792,446	-	5,700,229	26,492,675
Total liabilities	-	-	-	-

Movement in the above mentioned assets has been disclosed in notes 19 and 24 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the year. Since the ordinary shares of Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited are not listed, an investment advisor engaged by the Company has estimated fair values of Rs 18.44 and Rs 25.15 per ordinary share, respectively, as at June 30, 2022, through a valuation technique based on discounted cash flow analysis. 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. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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 is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value 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.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair values for the remaining financial instruments. An appropriate discount for lack of control and lack of marketability is also applied, where relevant.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

44.4 Financial instruments by categories

	At fair value through other comprehensive income	At amortised cost	Total
		(Rupees in thousand)	
As at June 30, 2022			
Assets as per statement of financial position			
Long term deposits	-	61,526	61,526
Trade debts	-	1,467,862	1,467,862
Loans, deposits and other receivables	-	9,265	9,265
Investments	20,408,644	-	20,408,644
Cash and bank balances	-	410,803	410,803
	20,408,644	1,949,456	22,358,100

	At fair value through other comprehensive income	At amortised cost	Total
		(Rupees in thousand)	
As at June 30, 2021			
Assets as per statement of financial position			
Long term loans and deposits	-	57,513	57,513
Trade debts	-	1,676,245	1,676,245
Loans, deposits and other receivables	-	35,837	35,837
Loan to related party	-	765,000	765,000
Investments	26,492,675	-	26,492,675
Cash and bank balances	-	806,373	806,373
	26,492,675	3,340,968	29,833,643

	Financial liabilities at amortized cost	
	2022	2021
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term finances - secured	21,265,395	25,430,767
Long term deposits	281,177	246,992
Accrued mark-up	883,229	507,769
Trade and other payables	8,661,494	10,897,772
Short term borrowings - secured	25,210,506	18,362,050
Unclaimed dividend	34,512	33,517
	56,336,313	55,478,867

44.5 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2022	2021
	(Rupees in thousand)	
45. Disclosures by Company Listed on Islamic Index		
Loans/advances obtained as per Islamic mode:		
Loans obtained as per Islamic mode	7,670,221	6,428,254
Shariah compliant bank deposits/bank balances:		
Bank balances	16,083	21,503
Profit earned from shariah compliant bank deposits/bank balances		
Profit on deposits with banks	879	1,847
Revenue earned from shariah compliant business	58,043,863	45,107,691
Gain or dividend earned from shariah compliant investments		
Dividend income	124,034	123,212
Exchange gain	839,234	58,308
Mark-up paid on Islamic mode of financing	422,174	419,053
Profits earned or interest paid on any conventional loan or advance		
Profit earned on loan to related party	-	64,517
Profit earned on deposits with banks	8,102	12,274
Interest paid on loans	3,544,656	2,706,328

Relationship with shariah compliant banks

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

46. Date of authorisation for issue

These financial statements were authorised for issue on September 13, 2022 by the Board of Directors of the Company.

47. Event after the reporting period

The Board of Directors have proposed a dividend of Rupee 1.0 per share, amounting to Rs 438.119 million at their meeting held on September 13, 2022 for approval of the members at the Annual General Meeting to be held on October 28, 2022. These financial statements do not include the effect of the above dividend that will be accounted for in the period in which it is approved.

48. Corresponding figures

Corresponding figures have been re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-arrangements have been made.

Chief Executive | Chief Financial Officer | Director

CONSOLIDATED FINANCIAL STATEMENTS

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A·F·FERGUSON&Co.

Independent Auditor's Report

To the members of D.G. Khan Cement Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of D. G. Khan Cement Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Deferred taxation** *(Refer note 11 to the annexed consolidated financial statements)* The Group has recognized deferred tax in respect of unused tax credits and unused tax losses. Deferred tax assets on such items have been recognized as it is probable that sufficient taxable profits will be available in future, before their expiry, for their utilization on the basis of the approved business plan. Due to the significant level of judgement and estimation required in preparing the business plan for determining recoverability of deferred tax assets and the significance of the amounts involved, we consider it to be a key audit matter.	Our audit procedures included the following: - Obtained an understanding of the Group's process of preparing the deferred tax working and tested internal controls over management's valuation of deferred tax assets; - Obtained an understanding regarding the relevant tax laws with respect to availability of tax credits and unused tax losses; - Recalculated the amount of tax credits and unused tax losses in accordance with the provisions of Income Tax Ordinance, 2001; - Involved internal tax specialists to check the income tax

Sr. No.	Key audit matters	How the matters were addressed in our audit
		computation for the year and assessed the management's conclusion on carry forward of the tax credits and unused tax losses; - Obtained the approved business plan and evaluated the management's assumptions used in the preparation of business plan; - Assessed the reasonableness of computation of taxable income derived from the approved business plan; - Checked the management's analysis regarding the timing of utilization of unused tax credits and unused tax losses by considering the year wise utilization of such amounts and evaluated the selection of the expected tax rate in this regard; and - Assessed the appropriateness of accounting policy in respect of recognition of deferred tax assets on unused tax credits and unused tax losses and the adequacy of the disclosures made by the Group in this area with regard to the applicable accounting and reporting standards.
2.	**Investments measured at fair value** *(Refer notes 21.1.1 and 21.1.2 to the annexed consolidated financial statements)* The Group holds investments in equity instruments of Nishat Hotels and Properties Limited ('NHPL') and Hyundai Nishat Motor (Private) Limited ('HNMPL'). Due to NHPL and HNMPL being non-listed companies, their shares do not have a quoted price in an active market. Therefore, fair values of their shares have been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of respective businesses and related discount rates. Management involved an expert to perform these valuations on its behalf. Due to the significant level of judgment and estimation required to determine the fair value of the investments, we consider it to be a key audit matter.	Our audit procedures included the following: - Understood and evaluated the process by which the cash flow forecasts were prepared and approved, including confirming the mathematical accuracy of the underlying calculations; - Evaluated the cash flow forecasts by obtaining an understanding of respective businesses of NHPL and HNMPL; - Obtained an understanding of the work performed by the management's expert on the models for the purpose of valuations; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Obtained corroborating evidence relating to the values as determined by the management's expert by challenging key assumptions for the growth rates in the cash flow forecasts by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; - Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the values of the investments; and - Assessed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

Sr. No.	Key audit matters	How the matters were addressed in our audit
3.	**Revenue recognition** *(Refer notes 4.22, 32 and 49.1 to the annexed consolidated financial statements)* Revenue from sale of goods is recognised when performance obligation is satisfied by transferring control of promised goods to the customers. The Group is principally engaged in the production and sale of cement and clinker in the local and export markets. Due to revenue being one of the key performance indicators of the Group, large number of revenue transactions with a large number of customers in various geographical locations, inherent risk of material misstatement and significant increase in revenue from last year, we consider it to be a key audit matter.	Our audit procedures included the following: - Understood and evaluated management controls over revenue and checked their validation; - Performed testing of sample of revenue transactions with underlying documentation including dispatch documents and sales invoices; - Performed cut-off procedures on sample basis to ensure revenue has been recognised in the correct period; - Checked on a sample basis, approval of sales prices by the appropriate authority; - Performed recalculation of discounts as per Group's policy on test basis; - Performed analytical procedures to analyse variation in the price and quantity sold during the year; - Tested journal entries relating to revenue recognised during the year based on identified risk criteria; and - Assessed the adequacy of disclosures made in the financial statements related to revenue.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

A.F. Ferguson & Co.
A.F. Ferguson & Co.
Chartered Accountants

Lahore
Date: September 20, 2022

UDIN: AR202210070V9HGItZUi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2022	2021
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
950,000,000 (2021: 950,000,000)			
ordinary shares of Rs 10 each		9,500,000	9,500,000
50,000,000 (2021: 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 (2021: 438,119,118)			
ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Other reserves	6	24,153,481	30,223,348
Revenue reserve: Un-appropriated profits		41,759,427	39,089,297
Attributable to owners of the parent company		70,294,099	73,693,836
Non-controlling interests		2,349,613	2,182,351
Total equity		72,643,712	75,876,187
NON-CURRENT LIABILITIES			
Long term finances from financial institutions - secured	7	14,566,482	19,821,227
Deferred government grant	8	475,970	664,636
Long term deposits	9	281,177	246,992
Employee benefits obligations	10	712,639	530,803
Deferred taxation	11	5,540,533	3,784,340
		21,576,801	25,047,998
CURRENT LIABILITIES			
Trade and other payables	12	12,519,880	14,747,002
Short term borrowings from financial institutions - secured	13	26,170,194	20,939,726
Accrued markup	14	928,826	553,468
Loans from related parties - unsecured	15	94,000	214,000
Current portion of non-current liabilities	16	7,536,742	6,654,320
Unclaimed dividend		34,512	33,517
Provision for taxation		86,187	35,090
		47,370,341	43,177,123
CONTINGENCIES AND COMMITMENTS	17		
		141,590,854	144,101,308

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

AS AT JUNE 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	86,314,054	88,584,507
Intangible asset	19	17,319	-
Biological assets	20	964,995	877,563
Investments	21	10,636,098	13,718,917
Long term loans to employees	22	1,192	4,601
Long term deposits	23	61,526	57,513
		97,995,184	103,243,101
CURRENT ASSETS			
Stores, spares and loose tools	24	17,066,399	13,102,583
Stock-in-trade	25	7,268,544	3,682,698
Trade debts	26	1,591,516	2,570,837
Contract assets	27	28,501	113,862
Investments	28	9,962,440	12,946,812
Loans, advances, deposits, prepayments and other receivables	29	1,830,899	544,418
Loan to related party	30	-	765,000
Income tax recoverable		5,412,213	5,233,271
Cash and bank balances	31	435,158	1,898,726
		43,595,670	40,858,207
		141,590,854	144,101,308

Chief Financial Officer

Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the Year Ended June 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
Revenue	32	62,259,476	49,074,877
Cost of sales	33	(50,934,245)	(40,067,473)
Gross profit		11,325,231	9,007,404
Administrative expenses	34	(892,479)	(746,676)
Selling and distribution expenses	35	(1,753,090)	(1,953,824)
Net impairment gains on financial assets		15,069	87,963
Changes in fair value of biological assets	20	303,033	241,437
Other expenses	36	(1,183,810)	(576,399)
Other income	37	2,735,461	2,568,801
Finance cost	38	(3,748,080)	(3,121,788)
Profit before taxation		6,801,335	5,506,918
Taxation	39	(3,418,913)	(1,413,735)
Profit for the year		3,382,422	4,093,183
Profit is attributable to:			
Owners of the parent company		3,160,534	3,925,735
Non-controlling interests		221,888	167,448
		3,382,422	4,093,183
Earnings per share - basic			
and diluted in Rupees	40	7.21	8.96

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2022

	2022	2021
	(Rupees in thousand)	
Profit for the year	3,382,422	4,093,183
Other comprehensive (loss)income for the year - net of tax		
Items that may be reclassified subsequently to profit or loss:	-	-
Items that will not be subsequently reclassified to profit or loss:		
Change in fair value of investments at fair value through other comprehensive income (OCI)	(6,135,664)	3,731,923
Tax effect of change in fair value of investments at fair value through OCI	42,583	(681,691)
Remeasurement of retirement benefits	(75,842)	80,046
Tax effect of remeasurement of retirement benefits	23,557	(21,064)
	(6,145,366)	3,109,214
Other comprehensive (loss)/income for the year	(6,145,366)	3,109,214
Total comprehensive (loss)/income for the year	(2,762,944)	7,202,397
Total comprehensive (loss)/income is attributable to:		
Owners of the parent company	(2,961,618)	7,036,402
Non-controlling interests	198,674	165,995
	(2,762,944)	7,202,397

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

Director

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	40	2,182,174	11,462,586
Finance cost paid		(3,372,722)	(3,371,743)
Retirement and other benefits paid		(108,763)	(74,770)
Income tax paid		(1,724,425)	(1,263,841)
Long term loans, advances and deposits - net		33,581	(6,055)
Net cash (outflow)/inflow from operating activities		(2,990,155)	6,746,177
Cash flows from investing activities			
Payments for property, plant and equipment and intangible asset		(1,933,052)	(5,263,308)
Proceeds from disposal of property, plant and equipment		100,467	64,617
Proceeds from sale of biological assets		152,553	152,074
Investment in equity instruments		(68,480)	(233,654)
Repayment of loan to related party		645,000	-
Interest received		44,583	56,895
Dividends received		2,275,029	2,215,940
Net cash inflow/(outflow) from investing activities		1,216,100	(3,007,436)
Cash flows from financing activities			
Proceeds from long term finances acquired		1,735,445	8,864,661
Repayment of long term finances		(6,278,653)	(6,493,885)
Dividends paid to owners of the parent company		(468,536)	(320)
Net cash (outflow)/inflow from financing activities		(5,011,744)	2,370,456
Net (decrease)/increase in cash and cash equivalents		(6,785,799)	6,109,197
Cash and cash equivalents at the beginning of the year		(19,041,000)	(25,161,534)
Effect of exchange rate changes on cash and cash equivalents		91,763	11,337
Cash and cash equivalents at the end of the year	42	(25,735,036)	(19,041,000)

Refer note 7 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive | Chief Financial Officer | Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended June 30, 2022

		Capital Reserve			Revenue Reserve				
	Share Capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated Profits	Total equity attributable to owners of parent company	Non-Controlling Interest	Total equity
	Rupees in thousand								
Balance as on July 1, 2020	4,381,191	4,557,163	17,150,139	353,510	5,110,851	35,104,580	66,657,434	2,016,356	68,673,790
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	3,925,735	3,925,735	167,448	4,093,183
- Other comprehensive income for the year:									
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	3,051,685	-	-	-	3,051,685	(1,453)	3,050,232
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	58,982	58,982	-	58,982
	-	-	3,051,685	-	-	3,984,717	7,036,402	165,995	7,202,397
Balance as on June 30, 2021	4,381,191	4,557,163	20,201,824	353,510	5,110,851	39,089,297	73,693,836	2,182,351	75,876,187
Total comprehensive loss for the year									
- Profit for the year	-	-	-	-	-	3,160,534	3,160,534	221,888	3,382,422
- Other comprehensive loss for the year:									
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(6,069,867)	-	-	-	(6,069,867)	(23,214)	(6,093,081)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(52,285)	(52,285)	-	(52,285)
	-	-	(6,069,867)	-	-	3,108,249	(2,961,618)	198,674	(2,762,944)
Transactions with owners in their capacity as owners recognised directly in equity									
Final dividend for the year ended June 30, 2021	-	-	-	-	-	(438,119)	(438,119)	(31,412)	(469,531)
Balance as on June 30, 2022	4,381,191	4,557,163	14,131,957	353,510	5,110,851	41,759,427	70,294,099	2,349,613	72,643,712

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

David Dazal

Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended June 30, 2022

1. The Group and its activities

The Group comprises of:

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

D. G. Khan Cement Company Limited is a public company limited by shares, incorporated in Pakistan in 1978 under the repealed Companies Act, 1913 (now, the Companies Act, 2017, hereinafter may be referred to as the 'Act'). Its ordinary shares are listed on the Pakistan Stock Exchange Limited. It is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement (hereinafter referred to as the 'Cement segment'). 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 company limited by shares, incorporated in Pakistan on July 23, 2004 under the repealed Companies Ordinance, 1984 (now, the Act). It is principally engaged in the manufacture and sale of paper products and packaging material (hereinafter referred to as the 'Paper segment'). Its manufacturing facility is located at Khairpur on the parent company's land.

Nishat Dairy (Private) Limited is a private company limited by shares, incorporated in Pakistan on October 28, 2011 under the repealed Companies Ordinance, 1984 (now, the Act). It is principally engaged in the business of production and sale of raw milk (hereinafter referred to as the 'Dairy segment'). Its production facility and factory is situated at 1- KM Sukheki Road, Pindi Bhattian.

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

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

The Group has regional offices located across Pakistan, the geographical locations of which are listed below:

Regional office	Geographical location
Lahore region	53-A, Nishat House, Lawrence Road, Lahore
Multan region	17 E-1, Officers Colony, Eid Gah Chowk, Multan
Karachi region	D-247, KDA Scheme No. 1/A, Karachi
Rawalpindi region	13-16, 3rd Floor, Rizwan Arcades, Adam Gee Road, Sadar, Rawalpindi
D.G. Khan region	16-B Khayaban-E-Sarwar, Maanka Road, D.G. Khan

2. Basis of preparation

2.1 Statement of compliance

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

i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017; and

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's consolidated financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for Group's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

a) Amendment to IAS 16 'Property, plant and equipment' (effective for annual reporting period beginning on July 01, 2022)

The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

b) Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts: Cost of Fulfilling a Contract (effective for annual reporting period beginning on July 01, 2022)

The amendments specify the costs a Group should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

c) Annual Improvements to IFRS Standards 2018–2020'- Amendments to IAS 41, IFRS 1, IFRS 9, and IFRS 16 (effective for annual period beginning on July 01, 2022)

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities whereas IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. Amendments to IAS 41 and IFRS 1 do not have any impact on the consolidated financial statements.

d) Classification of Liabilities - Amendments to IAS 1: (effective for annual period beginning on July 01, 2024)

The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights.

- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification.

- the right to defer only exists if the entity complies with any relevant conditions at the reporting date.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

e) Narrow scope amendments to IAS 1 Practice Statement 2 and IAS 8 (effective for annual period beginning on July 1, 2023)

The IASB has issued narrow-scope amendments to IFRS Standards. The amendments will help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and

- distinguish changes in accounting estimates from changes in accounting policies.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments.

f) 'Amendments to IAS 12 'Income Taxes' - Deferred tax related to assets and liabilities arising from a single transaction (effective for annual reporting period beginning on July 01, 2023)

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

The Group is yet to assess the impact of these amendments on its financial statements.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared under the historical cost convention except for the following:

- certain financial instruments, government grant and plan assets of defined benefit gratuity at fair value, and

- certain employee benefit obligations and provisions at present value.

3.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Following are the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong.

a) Provision for taxation and recognition of deferred tax asset for tax credits and for carried-forward tax losses - notes 4.3, 11 and 39
b) Employee benefit obligation - notes 4.4 and 10
c) Useful lives and residual values of property, plant and equipment - notes 4.6 and 18.1
d) Fair valuation of biological assets - notes 4.8 and 20
e) Fair value of unquoted fair value through other comprehensive income ('FVOCI') investments - note 4.11 and 21

f) Impairment of financial assets (other than investments in equity instruments) - note 4.14.4
g) Estimate of present value of provisions - notes 4.20 and 12

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the accounting policy adopted as set out in note 4.7.

4.1 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ('NCI') in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in consolidated statement of comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated statement of comprehensive income are reclassified to consolidated statement of profit or loss.

4.2 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.3 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that relates to items recognised directly in consolidated statement of changes in equity or consolidated statement of comprehensive income, in which case it is recognised directly in equity or consolidated statement of comprehensive income.

Current

The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted or substantively enacted at the end of the reporting period in accordance with the prevailing law for taxation of income, after taking into account tax credits, rebates and exemptions, if any. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the tax authorities will accept an uncertain tax treatment. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

4.4 Employee benefits

4.4.1 Short term obligations

settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

4.4.2 Post employment benefits

(a) Defined benefit plan - Gratuity

The Cement segment operates an approved funded defined benefit gratuity plan for all regular employees having a service period of more than five years for officers and six months for workers. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2022 using the "Projected Unit Credit Method".

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the Group as reduced by benefits paid during the year.

The amount recognized in consolidated statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated statement of comprehensive income in the year in which they arise. Past service costs are recognized immediately in the consolidated statement of profit or loss.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	2022	2021
Discount rate per annum	13.25%	10.00%
Expected increase in eligible salary level per annum	12.25%	9.00%
Duration of the plan (years)	7	8

The expected mortality rates assumed are based on the SLIC (2001-2005) mortality table set back one year.

(b) Defined contribution plan

The Group operates provident funds for all its regular employees. Equal monthly contributions are made to the funds both by the Group and the employees as follows:

Cement segment: at the rate of 10% of the basic salary for officers and 10% of basic salary plus cost of living allowance for workers.

Paper segment: at the rate of 10% of the basic salary

Dairy segment: at the rate of 9.5% of the basic salary plus cost of living allowance

The Group has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognised as an expense in the consolidated statement of profit or loss as and when incurred.

4.4.3 Accumulating compensated absences

The Cement segment provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences. Under the service rules, employees are entitled to 2.5 days leave per month. Unutilised leaves can be accumulated up to 30 days in case of officers. However, leave policy for officers whose leave balance was already accumulated to 90 days or above as of July 01, 2018 may keep leaves accumulated up to 90 days. An officer is entitled to encash the unutilised earned leave accrued during the year. In addition, he can also encash some portion of his accumulated leave balance during the year. Any further unutilised leaves lapse. The earned leave encashment is based on basic salaries. In case of workers, unutilised leaves may be accumulated up to 120 days, however, accumulated leave balance above 50 days is encashable upon demand of the worker. Unutilised leaves can be used at any time by all employees, subject to the approval of the Group's management.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to the consolidated statement of profit or loss. The most recent valuation was carried out as at June 30, 2022 using the "Projected Unit Credit Method".

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the consolidated statement of profit or loss immediately in the period when these occur.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

	2022	2021
Discount rate per annum	13.25%	10.00%
Expected rate of increase in salary level per annum	12.25%	9.00%
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)	SLIC (2001-2005) mortality table (setback 1 year)
Duration of the plan (years)	8	8

4.5 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.6 Property, plant and equipment

4.6.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain operating fixed assets signifies historical cost and borrowing costs as referred to in note 4.21.

Depreciation on all operating fixed assets of the Group is charged to the consolidated statement of profit or loss on the reducing balance method, except for plant and machinery and leasehold land of the Cement and Paper segments, which are being depreciated using the straight line method, so as to write off the depreciable amount of such assets over their estimated useful life at annual rates mentioned in note 18.1 after taking into account their residual values.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Group's estimate of the residual value and useful life of its operating fixed assets as at June 30, 2022 has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 4.9 to these consolidated financial statements.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.6.2 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to operating fixed assets category as and when such items are available for use.

4.6.3 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.7 Intangible assets - Computer software

Expenditure incurred to acquire computer software is capitalised as intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Computer software is amortised using the straight line method over a period of three years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (as explained in note 4.9 to these consolidated financial statements).

4.8 Biological assets - Livestock

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an independent valuer on the basis of best available estimates for livestock of similar attributes. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock is recognized in the consolidated statement of profit or loss.

Livestock are categorized as mature or immature. Mature livestock are those that have attained harvestable specifications. Immature livestock have not yet reached that stage.

Farming cost such as feeding, labour cost, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of cattle and transportation charges are capitalised as part of biological assets.

4.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.10 Leases

The Group is the lessee:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

4.11 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.12 Stores, spares and loose tools

Stores, spare parts and loose tools are valued at moving weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.13 Stock-in-trade

Stock of raw materials (except for those in transit), work in process and finished goods are valued principally at the lower of weighted average cost and net realisable value ('NRV'). Stock of packing material is valued principally at moving average cost. Cost of work-in-process and finished goods comprises cost of direct materials, labour and related production overheads (based on normal operating capacity).

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value.

4.14 Financial assets

4.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss]; and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4.14.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.14.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these consolidated financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these consolidated financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.14.4 Impairment of financial assets other than investment in equity instruments

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts and contract assets, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance to be recognised from initial recognition of the receivables while general 3-stage approach for loans, deposits, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Trade debts;
- Contract assets;
- Loans to employees;
- Loan to related party;
- Long term deposits;
- Deposits and other receivables; and
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- the time value of money; and

- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

4.15 Financial liabilities

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

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

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

4.16 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.17 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Group holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method less loss allowance.

4.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Short term borrowings are also included in cash and cash equivalent if it is repayable on demand and forms an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

4.19 Foreign currency transactions and translation

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in consolidated statement of profit or loss. All foreign exchange gains and losses including foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss on a net basis within exchange gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

b) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

4.20 Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

4.22 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies. Revenue is recognised upon satisfaction of performance obligations.

In case of local sales for all segments, except for made-to-order paper products produced by the paper segment, revenue is recognised at the time of despatch of goods from the factory.

In case of export sales, the delivery of goods 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.

In case of made-to-order paper products, revenue is recognised over time.

4.23 Finance income

Finance income comprises interest income on funds invested (financial assets), dividend income, gain on disposal of financial assets and changes in fair value of investments. Interest income is recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

4.24 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.25 Dividend

Dividend distribution to the members is recognised as a liability in the period in which the dividends are approved.

4.26 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Makers (the CODMs) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the parent company.

Segment results that are reported to the CODMs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenses. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments.

The Group's strategic steering committee, consisting of the Board of Directors of the parent company, examines the Group's performance both from a product and geographic perspective and has identified three reportable segments of its business:

Cement segment: Production and sale of clinker, ordinary portland and sulphate resistant cements.

Paper segment: Manufacture and supply of paper products and packing material.

Dairy segment: Production and sale of raw milk.

4.27 Contingent liabilities and assets

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized. A contingent liability is disclosed unless the possibility of an outflow is remote.

Contingent asset is disclosed when an inflow of economic benefits is probable. Contingent assets are not recognised in the financial statements since this may result in recognition of income that may never be realised.

Contingent liabilities and assets are generally estimated using:

- The single most likely outcome; or

- A weighted average of all the possible outcomes (the 'expected value' method). This is likely to be the most appropriate method for a large population of similar claims, but can also be applied to a single obligation with various possible outcomes.

4.28 Contract asset and contract liability

A contract asset is recognised for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.30 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up share capital

2022	2021			2022	2021
(Number of shares)				(Rupees in thousand)	
343,512,029	343,512,029	Ordinary shares of Rs 10 each fully paid in cash		3,435,120	3,435,120
20,000,000	20,000,000	Ordinary shares of Rs 10 each issued for consideration other than cash	- note 5.2	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs 10 each issued as fully paid bonus shares		746,071	746,071
438,119,118	438,119,118			4,381,191	4,381,191

5.1 137,574,201 (2021: 137,574,201), 228,500 (2021: 228,500) and 4,242,155 (2021: 1,391,300) ordinary shares of the parent company are held by the following related parties; Nishat Mills Limited, Security General Insurance Company Limited and Adamjee Life Insurance Company Limited respectively.

Nishat Mills Limited is an Investor as per International Accounting Standard ('IAS') 28, 'Investments in Associates and Joint Ventures'.

5.2 20,000,000 ordinary shares of Rs 10 each were issued to the shareholders of D. G. Khan Electric Company Limited upon its merger with the Parent company on July 01, 1999. These shares were issued as consideration of merger against all assets, properties, rights, privileges, powers, bank accounts, trade marks, patents, leaves and licenses of D. G. Khan Electric Company Limited.

6. Other reserves

Movement in and composition of reserves is as follows:

		2022	2021
		(Rupees in thousand)	
Capital reserves			
- Share premium	- note 6.1	4,557,163	4,557,163
- FVOCI reserve	- note 6.2	14,131,957	20,201,824
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		19,042,630	25,112,497
Revenue reserve			
- General reserve		5,110,851	5,110,851
		24,153,481	30,223,348

6.1 This reserve can be utilised by the Group only for the purposes specified in section 81 of the Companies Act, 2017.

6.2 This represents the unrealised gain on remeasurement of equity investments at FVOCI and is not available for distribution.

6.3 The Capital redemption reserve fund represents fund created for redemption of preference shares. In accordance with the terms of issue of preference shares, to ensure timely payments, the Group was required to maintain a redemption fund with respect to preference shares. The Group had created a redemption fund and appropriated Rs 7.4 million each month from the consolidated statement of profit or loss in order to ensure that fund balance at redemption date was equal to the principal amount of the preference shares. The preference shares were redeemed during the year ended June 30, 2007.

7. Long term finances from financial institutions - secured

		2022	2021
		(Rupees in thousand)	
From banking companies:			
Loans under refinance scheme	- note 7.1	4,325,733	4,816,463
Long term loans	- note 7.2	17,535,845	21,353,973
		21,861,578	26,170,436
Current portion shown under current liabilities		(7,295,096)	(6,349,209)
		14,566,482	19,821,227

7.1 Loans under refinance scheme - secured

Lender	2022	2021	Number of instalments outstanding	Mark-up Payable
	(Rupees in thousand)			
State Bank of Pakistan's (SBP) Islamic Refinance Scheme for Payment of Wages & Salaries				
Loan 1				
Allied Bank Limited	142,585	427,751	2 equal quarterly instalments ending in October 2022	Quarterly
Loan 2				
Faysal Bank Limited	143,746	431,237	2 equal quarterly instalments ending in December 2022	Quarterly
Loan 3				
Bank Alfalah Limited	12,231	43,736	2 equal quarterly instalments ending in October 2022	Quarterly
Loan 4				
Allied Bank Limited	7,588	22,763	2 equal quarterly instalments ending in November 2022	Quarterly
State Bank of Pakistan's Islamic Temporary Economic Refinance Facility (ITERF)				
Loan 5				
National Bank of Pakistan	4,006,676	4,219,276	19 equal quarterly instalments ending in March 2027	Quarterly
Loan 6				
Faysal Bank Limited	600,000	600,000	16 equal semi-annual instalments of each tranche - note 7.1.1	Half yearly
Loan 7				
MCB Islamic Bank Limited	105,000	-	32 equal quarterly instalments starting from two years after the date of respective disbursement.	Quarterly
	5,017,826	5,744,763		

Such facilities are available at mark-up rates ranging from base rate plus 0.15% to 0.7% per annum. The base rate applicable during the year on such facilities is SBP rate ranging from zero to one percent resulting in coupon rate ranging from 0.50% to 1.7% per annum (2021: 0.5% to 1.7% per annum).

Loan 1
This represents long term financing facility availed under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). The loan is secured by a first pari passu charge of Rs 767 million over fixed assets of the Cement segment.

Loan 2
This represents long term financing facility availed under SBP Refinance Scheme. The loan is secured by first pari passu charge of Rs 767 million over present and future fixed assets of the Cement segment (including land & machinery).

Loan 3

This represents long term financing facility availed under SBP Refinance Scheme amounting to Rs 62.52 million. 'The aggregate amount of facility is secured by first pari passu charge on plant and machinery of the Dairy segment with 25% margin.

Loan 4

This represents long term financing facility availed under SBP Refinance Scheme amounting to Rs 22.7 million. The Group has not recognized the loan at present value of future cashflows discounted using market rate, as the impact is immaterial. The loan is secured by first pari passu charge over current assets of the Paper segment with 25% margin.

Loan 5

This represents long term financing facility availed under SBP Temporary Economic Refinance Scheme. The loan is secured by first pari passu charge over present and future fixed assets of the Cement segment for Rs 6,993.33 million with 25% margin.

Loan 6

This represents long term financing facility availed under SBP Temporary Economic Refinance Scheme. The loan is secured by first pari passu charge of Rs 800 million over present and future fixed assets of the Cement segment (including land & machinery).

7.1.1 Lender - Faysl Bank Limited

Tranche 1	2022	2021	Number of instalments outstanding	Mark-up Payable
	(Rupees in thousand)			
Tranche 1	113,773	113,773	16 equal semi-annual instalments starting in November 2022	Half yearly
Tranche 2	123,624	123,624	16 equal semi-annual instalments starting in July 2023	Half yearly
Tranche 3	156,256	156,256	16 equal semi-annual instalments starting in August 2023	Half yearly
Tranche 4	206,347	206,347	16 equal semi-annual instalments starting in December 2023	Half yearly
	600,000	600,000		

7.1.2 The reconciliation of the carrying amount is as follows:

		2022	2021
		(Rupees in thousand)	
Balance as at beginning of the year		5,744,763	614,185
Disbursements during the year		105,000	5,432,461
Repayments during the year		(831,937)	(301,883.00)
	- note 7.1	5,017,826	5,744,763
Deferred government grant			
Balance as at beginning of the year		(928,300)	-
Discounting adjustment for recognition at fair value - deferred government grant	- note 8	(33,194)	(1,071,316)
Unwinding of discount on liability		269,401	143,016
		(692,093)	(928,300)
Balance as at end of the year		4,325,733	4,816,463
Current portion shown under current liabilities	- note 16	(1,184,770)	(850,636)
		3,140,963	3,965,827

7.2 Long term loans

Lender	2022	2021	Number of instalments outstanding	Mark-up Payable
	(Rupees in thousand)			
Loan 1 The Bank of Punjab	250,000	350,000	5 equal semi-annual instalments ending in December 2024	Half yearly
Loan 2 The Bank of Punjab	1,500,000	500,000	10 equal semi-annual instalments starting in November 2022	Half yearly
Loan 3 The Bank of Punjab - Islamic	1,000,000	500,000	10 equal semi-annual instalments starting in December 2022	Half yearly
Loan 4 Habib Bank Limited	-	150,000	Nil	Quarterly
Loan 5 Habib Bank Limited	1,250,000	1,750,000	5 equal semi-annual instalments ending in December 2024	Quarterly
Loan 6 Habib Bank Limited	1,249,902	1,749,863	5 equal semi-annual instalments ending in December 2024	Quarterly
Loan 7 Bank Alfalah Limited	1,250,000	1,750,000	5 equal semi-annual instalments ending in December 2024	Quarterly
Loan 8 Bank Alfalah Limited	750,000	1,250,000	6 equal quarterly instalments ending in November 2023	Quarterly
Loan 9 Bank Alfalah Limited	1,312,500	1,500,000	14 equal quarterly instalments ending in December 2025	Quarterly
Loan 10 National Bank of Pakistan	1,495,000	2,093,000	10 equal quarterly instalments ending in October 2024	Quarterly
Loan 11 National Bank of Pakistan - Islamic	700,000	900,000	7 equal semi annual payments ending in December 2025	Half yearly
Loan 12 Bank Islami Pakistan Limited	-	50,000	Nil	Quarterly
Loan 13 Standard Chartered Bank (Pakistan) Limited	-	333,333	Nil	Quarterly
Loan 14 Allied Bank Limited	720,000	900,000	16 equal quarterly instalments ending in May 2026	Quarterly
Loan 15 Allied Bank Limited	3,595,778	4,903,334	11 equal quarterly instalments ending in March 2025	Quarterly
Loan 16 Allied Bank Limited	1,833,333	2,000,000	11 equal quarterly instalments ending in January 2025	Quarterly
Loan 17 The Bank of Punjab	130,445	-	20 equal quarterly instalments starting in June 2024	Quarterly
Loan 18 Habib Bank Limited	360,000	480,000	10 equal semi annual instalments ending in February 2025	Half yearly
Loan 19 The Bank of Punjab	138,887	194,443	9 equal semi annual instalments ending in October 2024	Half yearly
	17,535,845	**21,353,973**		

Such facilities are available at mark-up rates ranging from three to six months Karachi Inter-Bank Offered Rate ('KIBOR') plus 0.15% to 0.75% per annum (2021: three to six months KIBOR plus 0.15% to 0.75% per annum).

7.2.1 Security

Loan 1
First pari passu charge over present and future fixed assets of the Cement segment for Rs 667 million with 25% margin.

Loan 2
First pari passu charge over fixed assets of all three units of the Cement segment for Rs 2,000 million.

Loan 3
First pari passu charge over fixed assets of all three units of the Cement segment for Rs 1,333 million.

Loan 4
First pari passu charge over present and future fixed assets of the Cement segment for Rs 2,000 million with 25% margin.

Loan 5
First pari passu charge over present and future fixed assets of the Cement segment for Rs 3,333.34 million with 25% margin.

Loan 6
First pari passu charge over present and future fixed assets of the Cement segment for Rs 3,333.34 million with 25% margin.

Loan 7
First pari passu charge over present & future fixed assets of the Cement segment for Rs 3,333.34 million with 25% margin.

Loan 8
First pari passu charge over present and future fixed assets of the Cement segment for Rs 2,667 million.

Loan 9
First pari passu charge of Rs 2,000 million over fixed assets of the Cement segment.

Loan 10
First pari passu charge over present and future fixed assets of the Cement segment for Rs 4,000 million with 25% margin.

Loan 11
First pari passu charge over present and future fixed assets of the Cement segment for Rs 1333.34 million.

Loan 12
First pari passu charge over present and future fixed assets of the Cement segment for Rs 1,000 million.

Loan 13
First pari passu charge over present and future fixed assets of the Cement segment for Rs 2,666 million.

Loan 14
First pari passu charge over present and future fixed assets of the Cement segment for Rs 1,200 million with 25% margin.

Loan 15
First pari passu charge over present and future fixed assets of the Cement segment for Rs 7,867 million with 25% margin.

Loan 16
First pari passu charge over fixed assets of the Cement segment for Rs 1,333.33 million.

Loan 17
Joint pari passu charge of Rs 1,056 million on fixed assets of all three units of Cement segment.

Loan 18
First pari passu hypothecation charge on present and future fixed assets (plant and machinery) of the Paper segment with 25% margin.

Loan 19
First pari passu charge over present and future operating fixed assets (plant and machinery) of the Paper segment.

		2022	2021
		(Rupees in thousand)	

7.2.2 The reconciliation of the carrying amount is as follows:

		2022	2021
Opening balance		21,353,973	24,114,505
Disbursements during the year		1,630,445	3,432,200
Repayments during the year		(5,448,573)	(6,192,732)
		17,535,845	21,353,973
Current portion shown under current liabilities	- note 16	(6,110,326)	(5,498,573)
		11,425,519	15,855,400

8. Deferred government grant

This represents deferred government grant recognized in respect of the benefit of below-market interest rate on the facilities as referred to in note 7.1 to these consolidated financial statements. The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The Group has used the prevailing market rate of mark-up at the date of disbursement for similar instruments to calculate fair values of respective loans. The discount rates used range from 7.34% to 9.81% per annum. The reconciliation of the carrying amount is as follows:

		2022	2021
		(Rupees in thousand)	
Opening balance		929,030	-
Deferred grant recognized during the year		33,194	1,071,316
Credited to profit or loss		(267,544)	(142,286)
		694,680	929,030
Current portion shown under current liabilities	- note 16	(218,710)	(264,394)
Closing balance		475,970	664,636

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

9. Long term deposits

	2022	2021
Customers	165,667	144,957
Others	115,510	102,035
	281,177	246,992

These include interest free security deposits from stockists and suppliers and are repayable on cancellation/withdrawal of the dealership or on cessation of business with the Group. As per the agreements signed with these parties, the Group has the right to utilise the amounts for the furtherance of their business, hence, the amounts are not required to be kept in a separate account maintained in a scheduled bank. Therefore, the Group is in compliance with section 217 of Companies Act, 2017. These deposits have not been carried at amortised cost since the effect of discounting is immaterial in the context of these consolidated financial statements.

		2022	2021
		(Rupees in thousand)	

10. Employee benefits obligations

		2022	2021
Staff gratuity	- note 10.1	530,909	366,491
Accumulating compensated absences	- note 10.2	181,730	164,312
		712,639	530,803

10.1 Staff gratuity

The amounts recognised in the consolidated statement of financial position are as follows:

	2022	2021
	(Rupees in thousand)	
Present value of defined benefit obligation	1,070,278	882,582
Fair value of plan assets	(539,247)	(516,091)
Liability as at June 30	530,909	366,491

10.1.1 Movement in net liability for staff gratuity

	2022	2021
Net liability as at beginning of the year	366,491	362,292
Current service cost	87,770	81,925
Net interest on defined benefit obligation	85,820	66,046
Return on plan assets during the year	(51,452)	(36,842)
	122,138	111,129
Total remeasurements for the year charged/(credited) to consolidated statement of comprehensive income	75,842	(80,046)
Contributions made by the Group during the year	(33,562)	(26,884)
Net liability as at end of the year	530,909	366,491

10.1.2 Movement in present value of defined benefit obligation

	2022	2021
Present value of defined benefit obligation as at beginning of the year	882,582	798,510
Current service cost	87,770	81,92
Interest cost	85,820	66,046
Payments against opening payables	-	(5,159)
Benefits paid during the year	(36,694)	(32,440)
Remeasurements:		
- Actuarial losses from changes in financial assumptions	5,035	2,055
- Experience adjustments	45,765	(28,355)
	50,800	(26,300)
Present value of defined benefit obligation as at end of the year	1,070,278	882,582

10.1.3 Movement in fair value of plan assets

	2022	2021
Fair value of plan assets as at beginning of the year	516,091	436,218
Interest income on plan assets	51,452	36,842
Contributions during the year	33,560	26,884
Benefits paid during the year	(36,814)	(37,599)
Remeasurements in fair value of plan assets	(25,042)	53,746
Fair value of plan assets as at end of the year	539,247	516,091

10.1.4 Plan assets

Plan assets are comprised as follows:

	2022		2021	
	(Rs in '000')	Percentage	(Rs in '000')	Percentage
Plan assets				
Cash and bank balances	75,008	13.91%	69,025	13.37%
Debt instruments	317,578	58.89%	316,921	61.41%
Special Savings Certificates with accrued interest	146,661	27.20%	130,145	25.22%
	539,247	100.00%	516,091	100.00%

	2022	2021
	(Rupees in thousand)	
10.1.5 Charge for the year		
Current service cost	87,770	81,925
Interest cost	85,820	66,046
Interest income on plan assets	(51,452)	(36,842)
Total expense for the year	122,138	111,129
10.1.6 Total remeasurements charged/(credited) to consolidated statement of comprehensive income		
Actuarial losses from changes in financial assumptions	5,035	2,055
Experience adjustments	45,765	(28,355)
	50,800	(26,300)
Remeasurements in plan assets, excluding interest income	25,042	(53,746)
	75,842	(80,046)

10.1.7 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions			Impact on defined benefit obligation				
				Increase in assumption			Decrease in assumption	
	2022	2021		2022	2021		2022	2021
Discount rate	3.25%	1.00%	Decrease by	7.88%	7.24%	Increase by	6.63%	8.31%
Salary growth rate	3.25%	1.00%	Increase by	6.72%	8.40%	Decrease by	8.07%	7.44%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

10.1.8 Risks associated with the defined benefit plan

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than what is currently assumed. Since, the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Demographic risks

Mortality risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

- Investment risk – the risk of the investment underperforming and being not sufficient to meet the liabilities.

10.1.9 Expected contribution to the defined benefit plan for the year ending June 30, 2023 is Rs 128.239 million.

10.1.10 The weighted average duration of the defined benefit obligation is 7 years (2021 – 8 years). The expected benefit payment for the next 10 years and beyond is as follows:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
	(Rupees in thousand)				
June 30, 2022	128,239	92,796	319,420	14,692,499	15,232,954
June 30, 2021	99,455	74,821	296,765	7,150,973	7,622,014

10.2 Accumulating compensated absences

		2022	2021
		(Rupees in thousand)	
Opening balance		164,312	159,542
Charged to profit or loss		74,838	55,093
Payments made during the year		(34,484)	(9,606)
		204,666	205,029
Current portion shown under current liabilities	- note 16	(22,936)	(40,717)
Closing balance		181,730	164,312

10.2.1 Movement in liability for accumulating compensated absences

	2022	2021
Present value of accumulating compensated absences as at beginning of the year	164,313	159,542
Current service cost	57,930	53,442
Interest cost	13,560	11,423
Benefits due but not paid	(22,936)	(40,717)
Benefits paid during the year	(34,484)	(9,606)
Remeasurement in respect of experience adjustments	3,347	(9,772)
Present value of accumulating compensated absences as at year end	181,730	164,312

10.2.2 Charge for the year

	2022	2021
Current service cost	57,930	53,442
Interest cost	13,560	11,423
Remeasurement during the year	3,348	(9,772)
Total expense for the year	74,838	55,093

10.2.3 Assumptions used for valuation of the accumulating compensated absences are as under:

		2022	2021
Discount rate	Per annum	13.25%	10.00%
Expected rate of increase in salary	Per annum	12.25%	9.00%
Duration of the plan	Number of years	8	8
Expected withdrawal and early retirement rate		SLIC 2001-2005 mortality table	SLIC 2001-2005 mortality table

10.2.4 The sensitivity of the accumulated compensated balances to changes in the weighted principal assumptions is:

	Change in assumptions			Impact on defined benefit obligation				
				Increase in assumption			Decrease in assumption	
	2022	2021		2022	2021		2022	2021
Discount rate	3.25%	1.00%	Decrease by	7.46%	7.83%	Increase by	8.58%	9.08%
Salary growth rate	3.25%	1.00%	Increase by	8.49%	8.97%	Decrease by	7.49%	7.88%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the accumulating leave absences to significant actuarial assumptions the same method (present value of the accumulating compensated absences calculated with the projected unit credit method at the end of the reporting period) has been applied for valuation of balance of accumulating compensated absences in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

10.2.5 Risks associated with the accumulating compensated absences

- Final Salary Risk (linked to inflation risk) - the risk that the final salary at the time of cessation of service is greater than what we assumed. Since, the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Demographic risks
Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

11. Deferred taxation

The net liability for deferred taxation comprises taxable/(deductible) temporary differences, unused tax credits and unused tax losses relating to:

	2022	2021
	(Rupees in thousand)	
Deferred tax liability		
Accelerated tax depreciation	12,879,979	11,174,967
Un-realised gain on long term investment - net	710,585	771,482
Gain arising from changes in fair value of biological assets	313,175	242,985
	13,903,739	12,189,434
Deferred tax asset		
Available unused minimum tax credit	(2,097,450)	(2,476,821)
Available unused Alternative Corporate Tax credit	(526,528)	-
Available unused tax losses	(5,512,677)	(5,756,742)
Loss allowance on financial assets	(17,318)	(12,672)
Employee benefit obligations	(207,535)	(150,394)
Others	(1,698)	(8,465)
	(8,363,206)	(8,405,094)
	5,540,533	3,784,340

		2022	2021
		(Rupees in thousand)	
The gross movement in net deferred tax liability during the year is as follows:			
Opening balance		3,784,340	2,723,382
(Credited)/charged to other comprehensive income		(66,140)	702,755
Charged to statement of profit or loss	- note 39	1,822,333	358,203
Closing balance		5,540,533	3,784,340

Deferred tax assets have been recognized to the extent that the realisation of related tax benefits is probable from reversal of existing taxable temporary differences and future taxable profits. Based on the Cement and Dairy segment's approved business plans, it is probable that sufficient taxable profits will be available for utilization of deferred tax assets. However, the Group has not recognised deferred tax asset in respect of minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 amounting to Rs 703.646 million (2021: Rs 73.781 million) as sufficient taxable profits would not be available to utilise these in the foreseeable future. The Group's management believes that these tax credits will be adjusted against minimum tax liability of current and future years, however, being prudent, deferred tax asset on these tax credits have not been recognized and would expire as follows:

Accounting year to which minimum tax relates	Amount of minimum tax (Rupees in '000)	Accounting year in which minimum tax will expire
2018	358,525	2023
2019	266,472	2024
2020	26,280	2025
2021	30,649	2026
2022	21,720	2027
	703,646	

12. Trade and other payables

		2022	2021
		(Rupees in thousand)	
Trade creditors	- note 12.1	3,252,486	6,821,921
Bills payable		121,950	82,677
Infrastructure cess		340,804	315,362
Contract liability	- note 12.2	1,566,052	1,478,995
Accrued liabilities	- note 12.3	5,784,493	4,498,918
Workers' profit participation fund	- note 12.4	392,331	397,345
Workers' welfare fund	- note 12.5	22,004	116,617
Sales tax payable		321	205
Federal excise duty payable		733,298	752,953
Withholding tax payable		43,891	11,293
Retention money payable		39,481	86,172
Export commission payable		82,840	69,779
Book overdraft		-	18,048
Others	- note 12.6	139,929	96,717
		12,519,880	14,747,002

12.1 Trade creditors includes amount due to the following related parties:

	2022	2021
Nishat Agriculture Farming (Private) Limited	22,191	26,299
Security General Insurance Company Limited	1,349	4,214
Adamjee Insurance Company Limited	58	-
	23,598	30,513

12.2 This represents contract liabilities of the Group towards various parties. Revenue recognised in the current year that was included in the contract liability balance of the Group at the beginning of the year amounts to Rs 639.42 million (2021: Rs 1,117.328 million).

12.3 Includes Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. The Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared GIDC Act, 2015 a valid legislation. Under the judgement, all gas consumers including the Group were ordered to pay the outstanding GIDC liability as at July 31, 2020 to the Government of Pakistan in 24 equal monthly instalments. The Group has partially paid GIDC amounting to Rs 84.5 million. The Group also filed a Suit with the Sindh High Court against collection of GIDC instalments, before a factual determination of GIDC passed on to end consumers or not is carried out. The Sindh High Court granted a stay in March 2021 against recovery of GIDC payable from the Group till the finalisation of matter by the Court. The matter is currently pending in the Sindh High Court. The Group has followed the relevant accounting standards and ICAP guidelines in this regard.

		2022	2021
		(Rupees in thousand)	
12.4 Workers' profit participation fund			
The reconciliation of carrying amount is as follows:			
Opening balance		397,345	105,036
Provision for the year	- note 36	205,064	301,370
		602,409	406,406
Payments made during the year		(210,078)	(9,061)
Closing balance		392,331	397,345
12.5 Workers' welfare fund			
The reconciliation of carrying amount is as follows:			
Opening balance		116,617	3,899
Provision for the year	- note 36	17,257	114,565
		133,874	118,464
Reversal of prior year provision	- note 37	(96,051)	-
Payments made during the year		(15,819)	(1,847)
Closing balance		22,004	116,617

12.6 Includes payable to employees' provident fund amounting to Rs 33.288 million (2021: Rs 21.993 million).

		2022	2021
		(Rupees in thousand)	
13. Short term borrowings from financial institutions - secured			
Short term running finances/short term borrowings	- note 13.1	11,528,835	10,419,332
Import finances	- note 13.2	9,479,359	6,360,894
Export finances	- note 13.3	5,162,000	4,159,500
		26,170,194	20,939,726

13.1 Short term running finances/short term borrowings

Short term running finances available from various commercial banks under mark-up arrangements aggregate to Rs 38,375 million (2021: Rs 33,032 million). Such facilities are available at mark-up rates ranging from one to three months KIBOR plus 0.05% to 1.5% per annum (2021: one to three months KIBOR plus 0.05% to 1.5% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 7.35% to 15.81% (2021: 6.63% to 11.94%) per annum and mark-up is payable monthly to quarterly. These are secured by first registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments, receivables.

13.2 Import finances - secured

Import finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 23,020 million (2021: Rs 20,670 million). Such facilities are available at mark-up rates ranging from one to six months KIBOR plus 0.05% to 0.2% per annum (2021: one to three months KIBOR plus 0.05% to 0.2% per annum) and one to six months London Inter-Bank Offered Rate ('LIBOR') plus 0.75% per annum (2021: one to six months LIBOR plus 0.75% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 7.39% to 15.18% (2021: 6.94% to 8.19%) per annum and mark-up is payable on settlement. The aggregate import finances are secured by a registered charge on all present and future current assets of the Cement segment and Paper segment, wherever situated, including stores and spares, stock in trade, trade debts, investments and other receivables.

13.3 Export finances - secured

Export finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 14,250 million (2021: Rs 15,200 million). Such facilities are available at mark-up rate as per the State Bank of Pakistan's (SBP) Export Finance Scheme plus 0.00% to 1.00% per annum (2021: mark-up rate as per SBP's Export Finance Scheme plus 0.25% to 1.00% per annum). The Export Finance Scheme rate has remained constant at 2% throughout the year. These loans are obtained for a period of 180 days and are secured against pari passu hypothecation charge over current assets of the Cement Segment.

13.4 Letters of credit and guarantees

Of the aggregate facility of Rs 40,100 million (2021: Rs 29,508 million) for opening letters of credit and Rs 5,750 million (2021: Rs 4,388 million) for guarantees, all being either main limits or sub-limits of the facilities, the amount utilised as at June 30, 2022 was Rs 16,216 million (2021: Rs 8,660 million) and Rs 3,309 million (2021: Rs 3,114 million) respectively. The facilities for opening letters of credit are secured against lien over import documents whereas aggregate facilities for guarantees are secured against registered joint pari passu charge over the present and future current assets of the Group. Of the facility for guarantees, Rs 14.48 million (2021: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 31.2.

	2022	2021
	(Rupees in thousand)	
14. Accrued markup		
Accrued mark-up/interest on:		
- Long term finances - secured	452,632	305,141
- Short term borrowings - secured	476,194	248,327
	928,826	553,468

15. This represents unsecured and interest free loans provided by the three directors (including Chief Executive) of Nishat Dairy (Private) Limited to finance the working capital requirements. The loan amount shall be payable within one year from the execution date. The un-availed facility of loan as at June 30, 2022 is Nil (2021: Nil). It also includes Rs 31.33 million given as loan to Nishat Dairy (Private) Limited by the Chief Executive (Mian Umer Mansha).

		2022	2021
		(Rupees in thousand)	
16. Current portion of non-current liabilities			
Loans under refinance scheme	- note 7.1.2	1,184,770	850,636
Long term finances	- note 7.2.2	6,110,326	5,498,573
Accumulating compensated absences	- note 10.2	22,936	40,717
Deferred government grant	- note 8	218,710	264,394
		7,536,742	6,654,320

17. Contingencies and commitments

17.1 Contingencies

Contingent assets:

17.1.1 The matter relating to interpretation of provisions of section 4(2) of the repealed Central Excise Act, 1944 (1944 Act) has now attained finality after having been adjudicated by the honourable Supreme Court of Pakistan through its judgment dated 27 January 2009 (upholding its previous judgment dated 15 February 2007). The longstanding controversy between the Revenue Department and the tax payers related primarily to finer interpretation of the provisions of section 4(2) of the 1944 Act wherein the department had a view that excise duty shall be included as a component for determination of the value (retail price) for levying excise duty. The departmental view, being against the spirit of law, was challenged by the taxpayers in appeals before the honourable High Courts of Pakistan which, duly appreciating the contentions of the taxpayers, overturned the departmental view and succeeded the appeals.

Now, since the controversy has attained finality up to the highest appellate level, the Group has initiated the process of claiming refund of excess excise duty paid by it during the periods from 1994 to 1999 which aggregates Rs 1,115.145 million. The amount of refund, however, shall be incorporated in the books of account once it is realized by the Group.

17.1.2 The Income Tax Officer, while framing the assessments for the assessment years 1984-85 to 1990-91, has taxed the income of the Group on account of the interest on the deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the Group issued an order in favour of the Group for the assessment years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these financial statements for the relief granted by the Appellate Tribunal aggregating Rs 35.090 million.

Contingent liabilities:

17.1.3 During the period 1994 to 1996, the Group imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484(I)/92, 978(I)/95 and 569(I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Group by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Group appealed before the Lahore High Court, Multan Bench, which allowed the Group to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan, passed an order dated November 26, 1999, against the Group on the grounds that the said machinery was being manufactured locally during the time when it was imported.

After various appeals at different forums, the honourable Supreme Court of Pakistan remanded the case back to the Customs Authorities to reassess the liability of the Group. The custom authorities re-determined the liability of the Group upon which the Group preferred an appeal to the Customs Appellate Tribunal. The Tribunal decided the case in favour of the Group, upon which the Group discharged all liabilities. However, the custom authorities preferred a reference to the Lahore High Court, Multan Bench on November 19, 2013. Last hearing of the case was conducted on June 25, 2018. In case of any adverse decision, the management assesses liability to the tune of Rs 233.390 million. No provision for this amount has been made in the financial statements as according to the management of the Group, there are meritorious grounds that the ultimate decision would be in its favour.

17.1.4 The Competition Commission of Pakistan ('the CCP') took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association ('APCMA') and its member cement manufacturers. The Group filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs 933 million on the Group. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Group for the time being.

The vires of the Competition Commission of Pakistan have been challenged by a large number of petitioners and all have been advised by their legal counsels that prima facie the Competition Ordinance, 2007 is ultra vires of the Constitution of Pakistan. The Honourable Supreme Court of Pakistan sent the appeals of the petitioners to newly formed Competition Appellate Tribunal ('CAT') to decide the matter. The Group has challenged sections 42, 43 and 44 of the Competition Act, 2010 in the Sindh High Court. The Honourable Sindh High Court upon petition filed by large number of petitioners gave direction to CAT to continue with the proceedings and not to pass a final order till the time petition is pending in Sindh High Court. No provision for this amount has been made in the financial statements as according to the management of the Group, there are meritorious grounds that the ultimate decision would be in its favour.

17.1.5 The Group, consequent to the order-in-appeal passed by the learned Customs, Federal Excise and Sales Tax Appellate Tribunal, Lahore, filed a petition before the Lahore High Court on March 27, 2008, challenging the levy of sales tax on the in-house consumption of Shale, Gypsum and Limestone for the period from June 13, 1997 to August 11, 1998. Last hearing of the case was conducted on December 17, 2015. According to the legal counsel of the Group, chances of favourable outcome of the petition are fair, therefore the payable amount has not been incorporated in these consolidated financial statements amounting to Rs 212.239 million.

17.1.6 On August 31, 2021, the Lahore High Court has granted interim relief to the Group in respect of a writ petition filed by the Group to challenge a showcause notice issued by the DCIR dated July 02, 2021, whereby, it was alleged that the Group had claimed inadmissible input tax for the periods from July 2018 to December 2020 aggregating Rs 1,384.644 million primarily related to construction/building material.

As per management, meritorious grounds exist to support the position that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Group. Therefore, such credit of input sales tax has not been reversed in these consolidated financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives. Consequently, no provision has been made in these consolidated financial statements on this account.

17.1.7 The DCIR passed an order dated August 20, 2021 for tax periods July 2017 to June 2018, whereby, a demand was raised for recovery of sales tax of Rs 5,795.981 million, including applicable default surcharge and penalty (amounting to Rs 275.999 million) imposed under sections 34 and 33(5) of the Sales Tax Act, 1990 respectively. The demand was raised mainly on account of alleged suppression of production and sales of cement and disallowance of input sales tax on various goods and services (including that related to fixed assets and building materials).

Further for these tax periods, a Federal Excise Duty ('FED') demand of Rs 2,884.751 million, along with applicable default surcharge and penalty was also raised by the DCIR on November 30, 2021 under relevant provisions of the Federal Excise Act, 2005 solely on account of alleged suppression of production and sales of cement on bases identical to those framed through order dated August 20, 2021.

The Group had preferred appeal before the CIR(A) against the said orders, whereby CIR(A) through order dated March 29, 2022 decision has been made in the Group's favour as the matter has been remitted back to learned DCIR to adjudicate the matter afresh. The department has, however, appealed against this decision before the ATIR.

The management, on the basis of consultation with its legal counsel and the favorable decision of the CIR(A), considers that meritorious grounds exist to defend the Group's stance and that such sales tax & FED demands are not likely to sustain appellate review by appellate authorities. Consequently, no provision has been created in these consolidated financial statements on this account.

17.1.8 The Group filed an appeal before the Commissioner Inland Revenue (CIR) (Appeals), against the amended assessment order passed by the Deputy Commissioner Inland Revenue (DCIR) under section 122(9)/122(5A) of the Income Tax Ordinance, 2001 for the tax year 2011. The DCIR through the order made additions under section 21 thereby reducing the declared loss of tax year 2011 by Rs 56.19 million. Further, the amount of refund was reduced by Rs 2.05 million through levy of Workers Welfare Fund. The CIR (Appeals) upheld the additions of Rs 55.63 million as valid against which the Group filed before Appellate Tribunal Inland Revenue which is pending adjudication. The management, based on the advice of its legal counsel, is confident that there are strong arguments and the matter will be decided in its favor and no financial obligation is expected to accrue. Consequently, no provision been made in these consolidated financial statements.

17.1.9 Commissioner Inland Revenue amended the assessments made for tax years 2016 and 2017 through order passed under section 122 (5A) of the Income Tax Ordinance, 2001 and disallowed the adjustments on account of brought forward 'minimum' taxes of Rs 72.653 million and Rs 44.850 million claimed under sections 113 and 113C of the Income Tax Ordinance, 2001 against normal tax liabilities pertaining to tax years 2016 and 2017 respectively.

The Group preferred an appeal before the Commissioner Inland Revenue (Appeals) against the order. During the current year, CIR(A) accepted the appeals and allowed tax credits in respect of minimum taxes subject to due verification by the department. Commissioner Inland Revenue has preferred an appeal before the Appellate Tribunal Inland Revenue which is pending adjudication. Management, on the basis of legal advice from its consultant believes that there are reasonable arguments that the decision would be in favour of the Group and accordingly, no provision has been made in these consolidated financial statements.

17.1.10 Deputy Commissioner Inland Revenue (DCIR) through order under section 170/124/129 of the Income Tax Ordinance, 2001 allowed and adjusted the refunds against demand for another tax year to the extent of Rs 162.62 million out of the pending refunds of Rs 203.80 million. The Group preferred an appeal before the CIR(A) against the order. The CIR(A) remanded back the matter to the DCIR with directions to allow the balance refunds to the Group after verification. These remand proceedings are pending for adjudication. The management, based on the advice of its tax counsel, is confident that there are meritorious grounds that the ultimate decision would be in its favor. Consequently, no provision has been in these consolidated financial statements.

17.1.11 The banks have issued the following guarantees on Group's behalf in favour of:

- Collector of Customs, Excise and Sales Tax against levy of sales tax, custom duty and excise amounting to Rs 30.538 million (2021: Rs 30.538 million).

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 1,287.900 million (2021: Rs 937.900 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organization amounting to Rs 0.5 million (2021: Rs 0.5 million).

- Sui Northern Gas Pipelines Limited against supply of 6 MMCFD and 14 MMCFD gas for captive use at plants at Khairpur and at D.G. Khan respectively amounting to Rs 544.414 million (2021: Rs 544.414 million).

- Sindh High Court against levy of sales tax, custom duty and excise amounting to Rs 176.860 million (2021: Rs 176.860 million).

- Pakistan Railways against supply of cement amounting to Rs 7.075 million (2021: Rs 4.540 million).

- Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess amounting to Rs 22 million (2021: Rs 18 million)

- Metro Habib Cash and Carry against purchase of goods and supplies on credit amounting to Rs 2 million (2021: Rs 2 million).

- Sui Northern Gas Pipelines Limited against connection of gas supply for Sukheki Farm amounting to Rs 26.6 million (2021: Rs 26.6 million).

- Directorate General of Customs Valuation, Custom House Karachi on account of valuation ruling amounting to Rs 22.65 million (2021: Rs 22.65 million).

- The Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs 136.92 million (2021: Rs 97.64 million).

17.1.12 The Group has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs 1,262.243 million (2021: Rs 1,277.099 million).

17.1.13 The Group has issued a post dated cheque in favour of Nazir of the High Court of Sindh amounting to Rs 227.760 million (2021: Rs 227.760 million) against the Industrial Support Package Adjustment on K-Electric electricity bills.

17.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 191.251 million (2021: Rs 552.595 million).

(ii) Letters of credit for capital expenditure Rs 1,254.466 million (2021: Rs 138.606 million).

(iii) Letters of credit other than capital expenditure Rs 3,037.820 million (2021: Rs 996.700 million).

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

	2022	2021
	(Rupees in thousand)	
Not later than one year	425	425
Later than one year and not later than five years	1,699	1,699
Later than five years	3,887	4,299
	6,011	6,423

18. Property, plant and equipment

		2022	2021
Operating fixed assets	- note 18.1	85,392,522	80,610,944
Capital work-in-progress	- note 18.2	775,868	7,820,435
Major spare parts and stand-by equipment	- note 18.3	145,664	153,128
		86,314,054	88,584,507

18.1 Operating fixed assets

2022 (Rupees in thousand)

	Annual rate of depreciation %	Cost as at July 01, 2021	Additions / (deletions)	Cost as at June 30, 2022	Accumulated depreciation and impairment as at July 01, 2021	Depreciation charge / (deletions) for the year	Accumulated depreciation and impairment as at June 30, 2022	Book value as at June 30, 2022
Freehold land - note 18.1.2	-	2,191,463	18,858	2,210,321	-	-	-	2,210,321
Leasehold land	3.33	263,000	-	263,000	42,240.00	8,767	51,007	211,993
Buildings on freehold land and leasehold land								
- Factory building	5 to 10	23,868,943	1,254,722	25,123,665	7,829,527.00	880,174	8,709,701	16,413,964
- Office building and housing colony	5	3,617,946	381,253	3,999,199	974,946.00	142,073	1,117,019	2,882,180
Roads	10	2,338,473	127,238	2,465,711	866,965.00	152,595	1,019,560	1,446,151
Plant and machinery	3 to 9	74,677,616	6,827,914	81,505,530	22,712,515	2,301,050	25,013,565	56,491,965
Factory equipment	10	120,369	287	120,656	262,683	3,606	266,289	(145,633)
Quarry equipment	10	4,572,439	2,279	4,574,718	2,057,735	183,731	2,241,466	2,333,252
Furniture, fixture and office equipment	10 to 30	1,074,605	62,652	1,137,064	679,110.00	109,016	788,114	348,950
			(193)			(12)		
Vehicles	20	1,029,729	219,069	1,173,460	521,083.00	98,042	569,605	603,855
			(75,338)			(49,520)		
Aircraft	30	328,752	-	328,752	314,010.00	4,406	318,416	10,336
Power and water supply lines	10	4,107,766	69,311	4,177,077	1,319,343.00	272,546	1,591,889	2,585,188
		118,191,101	8,963,583	127,079,153	37,580,157	4,156,006	41,686,631	85,392,522
			(75,531)			(49,532)		

(Rupees in thousand)

	2021							
	Annual rate of depreciation %	Cost as at July 01, 2021	Additions / (deletions)	Cost as at June 30, 2022	Accumulated depreciation and impairment as at July 01, 2021	Depreciation charge / (deletions) for the year	Accumulated depreciation and impairment as at June 30, 2022	Book value as at June 30, 2022
Freehold land - note 18.1.2	-	2,195,638	-	2,191,463	-	-	-	2,191,463
			(4,175)					
Leasehold land	3.33	263,000	-	263,000	33,473	8,767	42,240	220,760
Buildings on freehold land and								
leasehold land								
- Factory building	5 to 10	23,448,547	420,396	23,868,943	6,965,309	864,218	7,829,527	16,039,416
- Office building and housing colony	5	3,279,621	338,325	3,617,946	836,799	138,147	974,946	2,643,000
Roads	10	2,324,251	14,222	2,338,473	703,596	163,369	866,965	1,471,508
Plant and machinery	3 to 9	71,790,910	2,886,706	74,677,616	20,817,839	1,894,676	22,712,515	51,965,101
Factory equipment	10	73,299	47,070	120,369	56,975	205,708	262,683	(142,314)
Quarry equipment	10	4,551,901	20,538	4,572,439	1,990,381	67,354	2,057,735	2,514,704
Furniture, fixture and office equipment	10 to 30	1,056,462	18,516	1074605	607,087	72,247	679,110	395,495
			(373)			(224)		
Vehicles	20	996,489	84,538	1,029,729	462,474	90,280	521,083	508,646
			(51,298)			(31,671)		
Aircraft	30	328,752	-	328,752	307,715	6,295	314,010	14,742
Power and water supply lines	10	4,097,573	10,193	4,107,766	1,012,621	306,722	1,319,343	2,788,423
		114,406,443	3,840,504	118,191,101	33,794,269	3,817,783	37,580,157	80,610,944
			(55,846)			(31,895)		

18.1.1 Freehold land and building include book values of Rs 12 million (2021: Rs 12 million) and Rs 4.252 million (2021: Rs 4.475 million) respectively which are held in the name of Chief Executive. This property is located in the locality of Defence Housing Authority, Lahore, where the bye-laws restrict transfer of title of the residential property in the name of the Group.

18.1.2 Following are the particulars of the Group's immovable fixed assets:

	Location	Usage of immovable property	2022 Total Area (in Acres)	2021 Total Area (in Acres)
Cement segment	Hub, Mauza Chichai, Balochistan	Plant site and staff colony	1467.5	1466.5
	Khairpur district, Chakwal, Punjab	Plant site and staff colony	901.5	901.5
	Kanrach Nai, District Lasbela, Balochistan	Source of raw material	723.14	723.14
	Dera Ghazi Khan, Punjab	Plant site and staff colony	590	590
	Lakho Dair, Lahore, Punjab	Processing site	44	44
	Gulberg, Lahore, Punjab	Administrative offices	1.5	1.5
	Others	Sales offices	0.28	0.28
Dairy segment	Moza Katrani Tehsil Pindi Bhattian, District Hafizabad, Sukheki	Plant site	214.57	214.57
	Moza Harsa Attla Tehsil Pindi Bhattian, District Hafizabad, Sukheki	Plant site	0.75	0.75

18.1.3 The depreciation charge for the year has been allocated as follows:

		2022	2021
		(Rupees in thousand)	
Cost of sales	- note 33	4,088,790	3,746,632
Administrative expenses	- note 34	56,022	61,415
Selling and distribution expenses	- note 35	11,194	9,736
		4,156,006	3,817,783

18.1.4 Book values of operating fixed assets consist of the following with respect to operating segments:

	Cement segment		Paper segment		Dairy segment		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Rupees in thousand)							
Plant and machinery	54,714,203	50,123,783	1,363,704	1,427,260	414,058	414,058	56,491,965	51,965,101
All other assets	27,219,825	27,016,478	192,931	141,564	1,487,801	1,487,801	28,900,557	28,645,843
Total	81,934,028	77,140,261	1,556,635	1,568,824	1,901,859	1,901,859	85,392,522	80,610,944

18.1.5 Sale of operating fixed assets

Detail of operating fixed assets sold during the year is as follows:

2022 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on sale	Mode of sale
Freehold land	**Outside party**					
	Syed Raza	15,536	3,528	9,000	5472	Negotiation
	M/s Mindbridge (Private) Limited	40,775	9,981	75,000	65,019	Auction
	Muhammad Ali Hijazi	10,502	9,113	7,700	(1,413)	Negotiation
	Related Party					
	Security General Insurance Company Limited	3,323	1,106	3,288	2,182	Insurance claim

2021 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (loss) on sale	Mode of sale
Plant and machinery	**Outside parties**					
	Muhammad Adrees	4,175	4,175	18,400	14,225	Negotiation
Vehicles	**Employee**					
	Nazar Hussain Bhutta	1,971	749	749	-	As per Group policy
	Dr. Hafeez Ullah Shah	1,971	759	759	-	-do-
	Iftikhar Ahmed	1,971	711	711	-	-do-
	Qazi Hizbur Rehman	1,683	867	867	-	-do-
	Nazir Hussain	1,771	677	677	-	-do-
	Outside party					
	Muhammad Saeed	4,309	2,138	5,131	2,993	Auction
	Asif Rana	4,517	1,320	4,548	3,228	-do-
	Hassan Mobeen Alam	6,294	2,368	7,887	5,519	-do-
	Khurram Ayub	6,448	2,263	6,489	4,226	-do-
	Saad Farrukh Pasha	9,169	5,025	9,300	4,275	-do-
	Muhammad Naeem Akhtar	2,550	667	2,055	1,388	-do-
	Syed Muhammad Naeem	1,971	656	2,278	1,622	-do-

18.2 Capital work-in-progress

2022 (Rupees in thousand)

	Balance as at July 1, 2021	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Balance as at June 30, 2022
Civil works	1,548,573	449,645	-	(929)	-	(1,629,653)	-	367,636
Plant and machinery	5,866,231	584,543	59,578	554	152,220	(6,303,956)	(28,534)	330,636
Advances to suppliers and contractors	84,336	132,047	-	-	(152,220)	-	-	64,163
Others	321,295	121,390	-	(396)	-	(428,856)	-	13,433
	7,820,435	1,287,625	59,578	(771)	-	(8,362,465)	(28,534)	775,868

2021 (Rupees in thousand)

	Balance as at July 1, 2020	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Balance as at June 30, 2021
Civil works	1,608,931	800,465	-	-	(29,028)	(831,795)	-	1,548,573
Plant and machinery	4,403,532	3,653,711	-	(4,400)	274,430	(2,402,459)	(58,583)	5,866,231
Advances to suppliers and contractors	191,287	76,227	-	-	(183,178)	-	-	84,336
Others	154,509	27,757	203,059	-	(62,224)	(1,806)	-	321,295
	6,358,259	4,558,160	203,059	(4,400)	-	(3,236,060)	(58,583)	7,820,435

	2022	2021
	(Rupees in thousand)	

18.3 Major spare parts and stand-by equipment

The reconciliation of carrying amount is as follows:

	2022	2021
Balance at the beginning of the year	153,128	192,500
Additions during the year	131,525	175,553
	284,653	368,053
Transfers made during the year	(138,989)	(214,925)
Balance at the end of the year	145,664	153,128

18.4 All operating fixed assets of Cement and Paper segments are pledged as security against long term finances as referred to in note 7.

	2022	2021
	(Rupees in thousand)	

19. Intangible assets

This represents computer software. The reconciliation of Computer Software carrying amount is as follows:

		2022	2021
COST			
Balance as at July 01		-	-
Additions during the year		21,500	-
Balance as at June 30		21,500	-
AMORTIZATION			
Balance as at July 01		-	-
Charge for the year	- note 34	4,181	-
Balance as at June 30		4,181	-
Book value as at June 30		17,319	-
Annual amortisation rate %		33.33%	Nil

20. This represents dairy livestock. It consists of the following:

		2022	2021
- Mature		724,325	661,662
- Immature		240,025	214,677
- Bulls		645	1,224
	- note 20.1	964,995	877,563

20.1 Reconciliation of carrying amounts of dairy livestock

		2022	2021
Opening balance		877,563	881,340
Fair value gain due to new births		97,570	95,252
Changes in fair value (due to price change, exchange fluctuations and biological transformation)	- note 20.3	205,463	146,185
		303,033	241,437
Decrease due to deaths/livestock losses		(24,018)	(31,590)
Decrease due to sale of livestock		(191,583)	(213,624)
		(215,601)	(245,214)
Carrying amount at the end of the year which approximates the fair value		964,995	877,563

20.2 As at June 30, 2022 the Group held 3,270 (2021: 3,033) mature assets able to produce milk and 3,086 (2021: 2,889) immature assets that are being raised to produce milk in the future. During the year, 2,054 (2021: 1,038) cows were sold. During the year, the Group produced approximately 31.650 million (2021: 25.597 million) gross litres of milk from these biological assets. As at June 30, 2022, the Group also held 25 (2021: 29) immature male calves.

20.3 The valuation of dairy livestock as at June 30, 2022 has been carried out by an independent valuer. In this regard the valuer examined the physical condition of the livestock, assessed the key assumptions and estimates and relied on the representations made by the Group as at June 30, 2022. Further, market and replacement values of similar livestock from active markets in Pakistan have been used as basis of valuation model by the independent valuer. The milking animals have been classified according to their lactations. As the number of lactations increase, the fair value keeps on decreasing.

		2022	2021
		(Rupees in thousand)	

21. Investments

These represent the long term investments in:

		2022	2021
- Related parties	- note 21.1	10,556,380	13,621,381
- Others	- note 21.2	79,718	97,536
		10,636,098	13,718,917

21.1 Related parties

		2022	2021
FVOCI - quoted:			
Nishat (Chunian) Limited			
7,173,982 (2021: 7,173,982) fully paid ordinary shares of Rs 10 each			
Equity held: 2.99% (2021: 2.99%)			
Cost - Rs 75.565 million (2021: Rs 75.565 million)		321,323	360,780
MCB Bank Limited			
22,849,265 (2021: 21,305,315) fully paid ordinary shares of Rs 10 each			
Equity held: 1.930% (2021: 1.80%)			
Cost - Rs 125.834 million (2021: Rs 125.834 million)		2,810,016	3,578,256
Adamjee Insurance Company Limited			
27,877,735 (2021: 27,877,735) fully paid ordinary shares of Rs 10 each			
Equity held: 7.97% (2021: 7.97%)			
Cost - Rs 1,239.698 million (2021: Rs 1,239.698 million)		879,821	1,156,090
Nishat Mills Limited			
30,289,501 (2021: 30,289,501) fully paid ordinary shares of Rs 10 each			
Equity held: 8.61% (2021: 8.61%)			
Cost - Rs 1,326.559 million (2021: Rs 1,326.559 million)		2,238,748	2,826,026
	sub-total	6,249,908	7,921,152
FVOCI - unquoted:			
Nishat Hotels and Properties Limited			
104,166,667 (2021: 104,166,667) fully paid ordinary shares of Rs 10 each			
Equity held: 10.42% (2021: 10.42%)			
Cost - Rs 1,041.667 million (2021: Rs 1,041.667 million)	- note 21.1.1	1,920,481	2,055,208
Hyundai Nishat Motor (Private) Limited			
94,873,000 (2021: 74,750,000) fully paid ordinary shares of Rs 10 each			
Equity held: 10% (2021: 10%)			
Cost - Rs 948.7 million (2021: Rs 948.7 million)	- note 21.1.2	2,385,991	3,645,021
		4,306,472	5,700,229
		10,556,380	13,621,381

21.1.1 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of 'Nishat Emporium'. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Group has estimated a fair value of Rs 18.44 per ordinary share as at June 30, 2022 (2021: Rs 19.73 per share) through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 48.3 to these financial statements. The fair value loss of Rs 134.727 million is included in the fair value loss recognised during the year in other comprehensive income.

The main level 3 inputs used by the Group are derived and evaluated as follows:

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

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

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

- Discount rate of 14.14% per annum.

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

- Annual growth in costs is linked to inflation at 7.00% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 276.884 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 124.648 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 0.805 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 1.610 million higher.

21.1.2 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited ('HNMPL') that has setup up a greenfield project for assembly and sales of Hyundai Motor Company passenger and commercial vehicles. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Group has estimated a fair value of Rs 25.15 per ordinary share as at June 30, 2022 (2021: Rs 38.42 per share) through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 48.3 to these financial statements. The fair value loss of Rs 1,259.029 million is included in the fair value loss recognised during the year in other comprehensive income.

The main level 3 inputs used by the Group are derived and evaluated as follows:

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

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

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

- Discount rate of 20.94% per annum.

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

- Annual growth in costs are linked to inflation and currency devaluation at 10% per annum and revenues are linked to currency devaluation at 10% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 117.421 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 50.544 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 777.177 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2022 would be Rs 34.219 million lower.

	2022	2021
	(Rupees in thousand)	
21.2 Others		
FVOCI - quoted:		
Pakistan Petroleum Limited		
821,626 (2021: 821,626) fully paid ordinary shares of Rs 10 each Equity held: 0.03% (2021: 0.03%) Cost - Rs 117.405 million (2021: Rs 117.405 million)	55,468	71,342
United Bank Limited		
214,354 (2021: 214,354) fully paid ordinary shares of Rs 10 each Equity held: 0.02% (2021: 0.02%) Cost - Rs 33.646 million (2021: Rs 33.646 million)	24,250	26,194
	79,718	97,536
21.3 Reconciliation of carrying amount		
Balance as at beginning of the year	13,718,917	9,573,740
Investments made during the year	68,433	233,654
	13,787,350	9,807,394
Fair value (loss)/gain recognized in other comprehensive income	(3,151,252)	3,911,523
Balance as at end of the year	10,636,098	13,718,917

21.4 3,860,267 (2021: 3,860,267) shares of MCB Bank Limited are blocked in Central Depository Company ('CDC') account.

22. Long term loans to employees

These represent interest free loans given to employees for house building and purchase of motor vehicles and are recoverable in equal monthly instalments over a period of 24 to 96 months. The loans are secured against the employees' respective retirement benefits and are given as per Group's policy. These loans have not been carried at amortised cost as the effect of discounting is not considered material.

23. Long term deposits

These represent security deposits against various goods and services. These deposits have not been carried at amortised cost mainly because the period after which the deposits are to be refunded is indefinite. Further, the effect of discounting is immaterial in the context of these financial statements.

		2022	2021
		(Rupees in thousand)	

24. Stores, spare parts and loose tools

Stores [including in transit: Rs 160.027 million (2021: Rs 3,607.87 million)]		9,726,849	6,666,952
Spare parts [including in transit Rs 259.788 million (2021: Rs 213.384 million)]		7,284,465	6,386,811
Loose tools		55,085	48,820
		17,066,399	13,102,583

24.1 Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable.

		2022	2021
		(Rupees in thousand)	

25. Stock-in-trade

Raw materials [including in transit Rs 221.340 million (2021: Rs 234.150 million)]		918,910	911,126
Packing material		324,462	289,672
Animal forage		566,741	367,176
Work-in-process		4,612,748	1,538,676
Finished goods		845,683	576,048
		7,268,544	3,682,698

26. Trade debts

- Related parties	- note 26.1	19,013	14,467
- Others		1,712,044	2,691,967
		1,712,044	2,706,434
Loss allowance	- note 26.2	(120,528)	(135,597)
		1,591,516	2,570,837

26.1 This is from the following related parties:

Nishat Hospitality (Private) Limited	107	107
Nishat Linen (Private) Limited	-	383
Nishat Hotels and Properties Limited	1,154	2,154
Nishat Mills Limited	5,575	7,164
Hyundai Nishat Motor (Private) Limited	12,037	4,430
Nishat (Chunian) Limited	-	89
Nishat Agriculture Farming (Private) Limited	140	140
	19,013	14,467

26.1.1 The maximum aggregate amount outstanding at the end of any month during the year was Rs 19.013 million (2021: Rs 24.499 million). The aging analysis of trade debts from related parties that are past due and carry loss allowance is as follows:

	2022	2021
	(Rupees in thousand)	
Up to 90 days	15,800	11,811
91 to 180 days	1,394	-
181 to 365 days	330	875
Above 365 days	1,489	1,781
	19,013	14,467
Loss allowance	(724)	(426)
	18,289	14,041

26.2 The reconciliation of loss allowance is as follows:

	2022	2021
Balance at the beginning of the year	135,597	228,657
Loss allowance reversed during the year	(15,069)	(89,594)
Trade debts written off during the year	-	(3,466)
Balance as at end of the year	120,528	135,597

27. This represents the Group's right to consideration for work completed but not billed at the reporting date on made to order paper products. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

		2022	2021
		(Rupees in thousand)	

28. Investments

		2022	2021
FVOCI - quoted:			
Related parties	- note 28.1	9,962,421	12,946,786
At FVPL			
Others		19	26
	- note 28.2	9,962,440	12,946,812

28.1 This represents the following quoted investments in related parties:

	2022	2021
Nishat (Chunian) Limited		
100,620 (2021: 100,620) fully paid ordinary shares of Rs 10 each		
Equity held: 0.042% (2021: 0.042%)		
Cost - Rs 0.832 million (2021: Rs 0.832 million)	4,507	5,060
MCB Bank Limited		
80,971,917 (2021: 80,971,917) fully paid ordinary shares of Rs 10 each		
Equity held: 6.83% (2021: 6.83%)		
Cost - Rs 478.234 million (2021: Rs 478.234 million)	9,957,914	12,941,726
	9,962,421	12,946,786

28.2 Reconciliation of carrying amount

	2022	2021
Opening balance	12,946,812	13,126,408
Fair value loss recognized in other comprehensive income	(2,984,391)	(179,602)
Fair value gain recognized in profit or loss	19	6
Closing balance	9,962,440	12,946,812

29. Loans, advances, deposits, prepayments and other receivables

		2022	2021
		(Rupees in thousand)	
Current portion of loans to employees		17,895	5,906
Advances			
- To employees		95,773	8,281
- To suppliers		612,593	86,552
		708,366	94,833
Prepayments		13,770	8,108
Due from related parties	- note 29.1	3,331	15,395
Letters of credit - margins, deposits, opening charges, etc.		148,078	13,179
Balances with statutory authorities:			
- Sales tax	- notes 29.2 & 29.3	815,420	242,141
- Excise duty		-	24,620
- Export rebate		10,071	4,650
		825,491	271,411
Other advances	- note 29.4	106,907	106,907
Other receivables	- note 29.5	8,692	30,310
		1,832,530	546,049
Loss allowance		(1,631)	(1,631)
		1,830,899	544,418

29.1 Includes amounts due from the following related parties:

		2022	2021
Nishat Hotels and Properties Limited	- note 29.1.1	-	5,363
Nishat Linen (Private) Limited		1,175	292
Hyundai Nishat Motor (Private) Limited		320	-
Nishat Sutas Dairy Limited		1,836	-
Nishat Agriculture Farming (Private) Limited		-	9,740
	- note 29.1.2	3,331	15,395

29.1.1 This represents mark-up receivable from Nishat Hotels and Properties Limited, a related party, on the loan referred to in note 26. The maximum aggregate amount outstanding at the end of any month during the year was Rs 5.724 million (2021: Rs 5.363 million). It was neither past due nor impaired.

29.1.2 The maximum aggregate amount outstanding at the end of any month during the year was Rs 3.331 million (2021: Rs 15.395 million). The balances have an age of upto 90 days.

29.2 Sales tax recoverable includes amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Group has filed appeals against the demands at different forums as referred to in note 17.

29.3 The vires of section 8(h) and (i) of the Sales Tax Act, 1990 (the "Sales Tax Act"), in the context of disallowance of adjustment of input tax on goods used for taxable services, was called in question by the Group. The honourable Lahore High Court vide its order dated January 29, 2020 on the basis of its reading of sections 7 and 8 of the Sales Tax Act, observed that input tax paid on goods can be deducted or reclaimed, only if such goods are used for the purpose of taxable supplies. Thus, in light of the said observation, the case was disposed of with a direction to the tax authorities to determine each and every case on its merits and allow adjustment of input tax on goods used for taxable supplies. Management is confident that the input tax already claimed shall not be disallowed by the relevant tax authorities.

29.4 This represents an amount of Rs 106.907 million (2020: Rs 16.155 million) deposited with the Nazir of Sindh High Court pursuant to an interim order issued by the Sindh High Court in respect of a petition filed by the Group against the Fuel Charges Adjustment ('FCA') charged by K-Electric Limited for the period from July 2016 to June 2019.

29.5 Includes a receivable of Rs 6.160 million (2021: Rs 5 million) from Hyundai Nishat Motor (Private) Limited, and a receivable of Nil (2021: Rs 25.636 million) from Security General Insurance Company Limited in respect of insurance claims, all being the related parties of the Group. The maximum aggregate amount outstanding at the end of any month during the year of Hyundai Nishat Motor (Private) Limited and Security General Insurance Company Limited was Rs 6.160 million (2021: Rs 5 million) and Nil (2021: Rs 25.636 million), respectively. These amounts are neither past due nor impaired.

30. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount was repaid on December 23, 2021. It carried markup at the rate of 1 month KIBOR + 1% per annum. The loan was secured through corporate guarantee of 110% of the loan amount issued by NHPL in favour of the Group. The effective markup rate charged during the year was 8.44% per annum which is above the borrowing cost of the Group. Reconciliation of the carrying amount is as follows:

		2022	2021
		(Rupees in thousand)	
Opening balance		765,000	765,000
Recovery during the year		(765,000)	-
Closing balance		-	765,000

31. Cash and bank balances

		2022	2021
At banks:			
Saving accounts:			
- Local currency	- notes 31.1, 31.2 & 31.3	91,840	56,094
- Foreign currency: US$ 1,277,401 (2021: US$ 842,124)		261,671	132,671
Current accounts		75,122	1,651,102
		428,633	1,839,867
In hand		2,525	1,859
Term deposit receipts	- note 31.4	4,000	57,000
		435,158	1,898,726

31.1 The balances in saving accounts bear mark-up ranging from 5.5% to 12.25% per annum (2021: 4.7% to 8% per annum).

31.2 Included in balances at banks on saving accounts are Rs 14.480 million (2021: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 13.4.

31.3 Included in balances at banks in saving accounts is Rs 0.004 million (2021: Rs 0.004 million) which relates to unpaid dividend held by the Group.

31.4 This represents term deposit receipts having maturity of one month from the date of purchase. These bear markup which ranges from 6.2% to 8.25% (2021: 6.2% to 6.3%) per annum.

32. Revenue

		2022	2021
		(Rupees in thousand)	
Local sales	- note 32.1	72,867,666	57,716,528
Export sales	- note 32.2	9,472,015	9,584,153
		82,339,681	67,300,681
Less:			
Sales tax and federal excise duty		19,173,790	17,549,810
Trade discount		475,815	542,562
Commission to stockists and export agents		190,609	133,432
Ocean freight	- note 32.3	239,991	-
		20,080,205	18,225,804
		62,259,476	49,074,877

32.1 This includes unbilled revenue amounting to Rs 24.36 million (2021: Rs 94.5 million).

32.2 Export sales include rebate on exports amounting to Rs 7.53 million (2021: Rs 3.57 million).

32.3 Represents freight cost incurred upon shipping goods to export customers under cost and freight terms in the capacity of agent.

33. Cost of sales

		2022	2021
		(Rupees in thousand)	
Raw and packing materials consumed		4,852,376	4,361,208
Forage		1,817,314	1,335,816
Medicines and related items		128,200	131,316
Salaries, wages and other benefits	- note 33.1	4,283,493	3,714,911
Fuel and power		33,448,122	19,385,077
Stores and spares consumed		3,038,923	3,059,058
Repairs and maintenance		321,832	622,854
Insurance		129,867	120,791
Depreciation on operating fixed assets	- note 18.1.3	4,088,790	3,746,632
Royalty	- note 33.2	1,114,510	1,133,211
Excise duty		49,051	48,848
Vehicle running		271,902	158,861
Postage, telephone and telegram		11,144	13,094
Printing and stationery		15,339	14,236
Legal and professional charges		6,629	7,071
Travelling and conveyance		19,705	12,992
Plant cleaning and gardening		41,949	36,824
Rent, rates and taxes	- note 33.3	187,515	132,038
Freight charges		77,385	65,031
Water charges		11,737	23,711
Security expenses		190,804	146,566
Input sales tax written off		71,264	-
Other expenses		122,562	113,056
		54,300,413	38,383,202
Opening work-in-process	- note 25	1,538,676	3,361,646
Closing work-in-process	- note 25	(4,612,748)	(1,538,676)
		(3,074,072)	1,822,970
Cost of goods manufactured		51,226,341	40,206,172
Opening stock of finished goods	- note 25	576,048	470,336
Closing stock of finished goods	- note 25	(845,683)	(576,048)
		(269,635)	(105,712)
Own consumption		(22,461)	(32,987)
		50,934,245	40,067,473

33.1 Salaries, wages and other benefits include Rs 102.692 million (2021: Rs 88.727 million), in respect of provident fund contribution by the Group. Further, the provision for gratuity and accumulating compensated absences included in the above is as follows:

	2022	2021
	(Rupees in thousand)	
Gratuity		
Current service cost	69,870	64,862
Interest cost for the year	68,318	52,290
Interest income on plan assets	(40,959)	(29,169)
	97,229	87,983
Accumulating compensated absences		
Current service cost	46,206	42,244
Interest cost for the year	10,816	9,029
Remeasurements	2,670	(7,725)
	59,692	43,548

33.2 This represents royalty to Governments of Punjab and Balochistan for extraction of raw materials as per relevant laws.

33.3 This includes rentals of heavy machinery used at quarry site where raw materials i.e. clay and limestone, are extracted.

34. Administrative expenses

		2022	2021
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 34.1	476,675	415,127
Electricity, gas and water		58,408	43,216
Repairs and maintenance		10,728	12,338
Insurance		18,352	16,193
Amortization of intangible asset	- note 19	4,181	-
Depreciation on operating fixed assets	- note 18.1.3	56,022	61,415
Vehicle running		21,050	17,215
Postage, telephone and telegram		10,002	8,014
Printing and stationery		26,238	11,113
Legal and professional services	- note 34.2	46,819	49,292
Travelling and conveyance		62,787	41,476
Rent, rates and taxes		444	486
Entertainment		4,869	5,063
School expenses		51,273	41,228
Fee and subscription		27,543	15,105
Other expenses		17,088	9,395
		892,479	746,676

34.1 Salaries, wages and other benefits include Rs 15.442 million (2021: Rs 13.510 million in respect of provident fund contribution by the Group. Further, the provision for gratuity and accumulating compensated absences included in the above is as follows:

	2022	2021
	(Rupees in thousand)	
Gratuity		
Current service cost	10,782	10,239
Interest cost for the year	10,542	8,254
Interest income on plan assets	(6,320)	(4,604)
	15,004	13,889
Accumulating compensated absences		
Current service cost	7,053	6,689
Interest cost for the year	1,651	1,430
Remeasurements	408	(1,223)
	9,112	6,896

34.2 Legal and professional charges

		2022	2021
		(Rupees in thousand)	
Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:			
Statutory audits		5,394	5,014
Half-yearly review		846	806
Tax services		8,727	9,061
Certifications required under various regulations		140	140
Out of pocket expenses		950	947
		16,057	15,968

35. Selling and distribution expenses

		2022	2021
Salaries, wages and other benefits	- note 35.1	248,855	224,781
Electricity, gas and water		3,557	2,652
Repairs and maintenance		1,554	1,450
Insurance		4,259	4,801
Depreciation on operating fixed assets	- note 18.1.3	11,194	9,736
Vehicle running		11,764	7,134
Postage, telephone and telegram		4,108	3,825
Printing and stationery		2,219	1,959
Rent, rates and taxes	- note 35.2	4,708	3,562
Travelling and conveyance		2,226	1,953
Entertainment		1,741	1,198
Advertisement and sales promotion		12,109	1,826
Freight and handling charges		1,415,308	1,658,479
Legal and professional charges		4,419	-
Other expenses		25,069	30,468
		1,753,090	1,953,824

35.1 Salaries, wages and other benefits include Rs 10.142 million (2021: Rs 9.050 million) in respect of provident fund contribution by the Group. Further, the provision for gratuity and accumulating compensated absences included in the above is as follows:

	2022	2021
	(Rupees in thousand)	
Gratuity		
Current service cost	7,118	6,824
Interest cost for the year	6,960	5,502
Interest income on plan assets	(4,173)	(3,069)
	9,905	9,257
Accumulating compensated absences		
Current service cost	4,671	4,509
Interest cost for the year	1,093	964
Remeasurements	270	(824)
	6,034	4,649

35.2 This includes lease rentals of Nil (2021: Rs 1.050 million).

		2022	2021
		(Rupees in thousand)	

36. Other expenses

		2022	2021
Workers' profit participation fund	- note 12.4	205,064	301,370
Workers' welfare fund	- note 12.5	17,257	114,565
Donations	- note 36.1	1,500	1,504
Exchange loss	- note 36.2	885,590	65,749
Loss on disposal of biological assets		63,048	93,140
Advances written off		-	71
Fair value loss on investments at FVPL		7	-
Miscellaneous		11,344	-
		1,183,810	576,399

36.1 Includes donation amounting to Rs 1.5 million (2021: Rs 1.5 million) made to Pakistan Agricultural Coalition. None of the directors or their spouses have any interest in the donee.

36.2 ncludes exchange loss incurred on foreign currency short term borrowings amounting to Nil (2021: Rs 66.881 million).

37. Other income

		2022	2021
		(Rupees in thousand)	
Income on bank deposits		21,902	16,556
Gain on investments at fair value through profit or loss		-	5
Provisions and unclaimed balances written back		160	34,848
Mark-up on loan to related party	- note 37.1	32,519	64,517
Gain on disposal of operating fixed assets		74,468	40,666
Gain on disposal of store items		2,184	310
Dividend income from:			
- Related parties	- note 37.2	2,281,977	2,210,992
- Others		6,948	4,948
		2,288,925	2,215,940
Scrap sales		203,494	177,782
Rental income		2,895	1,645
Reversal of provision for workers' welfare fund	- note 12.5	96,051	-
Sale of bull calves		9,122	7,174
Others		3,741	9,358
		2,735,461	2,568,801

37.1 This is from Nishat Hotels and Properties Limited, a related party, on the loan as referred to in note 30.

37.2 Dividend income from related parties

	2022	2021
	(Rupees in thousand)	
Nishat Mills Limited	121,158	121,158
MCB Bank Limited	2,018,989	2,012,865
Adamjee Insurance Company Limited	83,633	69,694
Nishat (Chunian) Limited	58,197	7,275
	2,281,977	2,210,992

		2022	2021
		(Rupees in thousand)	

38. Finance cost

		2022	2021
Interest and mark-up on:			
- Long term finances - secured		1,978,371	1,701,024
- Short term borrowings - secured		1,740,842	1,383,528
Guarantee commission		212	7,269
Bank charges		28,655	29,967
		3,748,080	3,121,788

39. Taxation

		2022	2021
Current			
- For the year		1,586,868	1,055,532
- Prior years		9,712	-
		1,596,580	1,055,532
Deferred	- note 11	1,822,333	358,203
		3,418,913	1,413,735

39.1 Tax charge reconciliation

	2022	2021
	%	%
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate as per Income Tax Ordinance, 2001	29.00	29.00
Tax effect of:		
- Amounts that are not deductible for tax purposes - net	0.49	0.63
- Change in prior years' tax	(1.19)	(1.72)
- Change in tax rate	1.36	-
- Effect of Super tax	26.50	-
- Income chargeable under final tax regime	(4.25)	(4.88)
- Previously recognized deferred tax asset written off	8.94	-
- Change in allocation ratio of temporary differences among Normal Tax Regime and Final Tax Regime	(11.21)	-
- Deferred tax recognised on depreciation losses	0.04	(0.08)
- Permanent differences	0.27	0.28
- Deferred tax asset derecognised on business losses	-	1.80
- Deferred tax asset not recognised on minimum tax available for carry forward	0.32	0.56
- Others	-	0.08
	21.27	(3.33)
Average effective tax rate	50.27	25.67

40. Earnings per share

40.1 Earnings per share - Basic

		2022	2021
Profit for the year - attributable to owners of the parent company	Rupees	3,160,534,000	3,925,735,000
Weighted average number of ordinary shares	Number	438,119,118	438,119,118
Earning/(loss) per share - basic	Rupees	7.21	8.96

40.2 Earnings per share - Diluted

There is no dilution effect on the basic earnings per share as the Group has no such commitments.

		2022	2021
		(Rupees in thousand)	
41. Cash generated from operations			
Profit before tax		6,801,335	5,506,918
Adjustments for:			
- Depreciation on operating fixed assets	- note 18.1.3	4,156,006	3,817,783
- Amortization of intangible assets	- note 34	4,181	-
- Change in fair value of investments - FVPL		7	(6)
- Gain on disposal of operating fixed assets	- note 37	(74,468)	(40,666)
- Loss on disposal of biological assets	- note 36	63,048	93,140
- Changes in fair value of biological assets	- note 20.1	(303,033)	(241,437)
- Dividend income	- note 37	(2,275,029)	(2,215,940)
- Mark-up income	- note 37	(32,519)	(64,517)
- Provision for retirement benefits	- notes 10.1.5 & 10.2.2	196,976	166,222
- Liabilities written back	- note 37	(160)	(34,848)
- Net impairment gain on financial assets		(15,069)	(87,963)
- Exchange loss	- note 36	885,590	65,749
- Finance costs	- note 38	3,748,080	3,121,788
Profit before working capital changes		13,154,945	10,086,223
Effect on cash flow due to working capital changes			
- Increase in stores, spares and loose tools		(3,963,816)	(4,640,781)
- (Increase)/decrease in stock-in-trade		(3,585,846)	1,812,927
- Decrease in trade debts		887,232	533,094
- (Increase)/decrease in advances, deposits, prepayments and other receivables		(1,298,545)	368,105
- (Decrease)/increase in trade and other payables		(3,011,796)	3,303,018
		(10,972,771)	1,376,363
		2,182,174	11,462,586
42. Cash and cash equivalents			
Cash and bank balances	- note 31	435,158	1,898,726
Short term borrowings from financial institutions - secured	- note 13	(26,170,194)	(20,939,726)
		(25,735,036)	(19,041,000)

43. Transactions with related parties

The related parties include the Investor, related parties on the basis of common directorship, group companies, key management personnel including directors, other related parties and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise). The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these consolidated financial statements other than the following:

Relationship with the Group	Nature of transactions	2022	2021
		(Rupees in thousand)	
i. Investor	Sale of goods	62,581	133,056
	Dividend paid	155,025	121,158
ii. Other related parties	Sale of goods and services	461,072	25,566
	Insurance premium	204,495	189,524
	Purchase of goods and services	268,041	143,653
	Insurance claims received	73,062	25,637
	Dividend paid	35,189	18,459
	Sale of fixed assets and store items	-	3,748
	Purchase of fixed assets	2,664	5,712
	Reimbursement of expenses	31,801	19,993
iii. Key management personnel	Remuneration - note 43.1	273,287	262,626
	Dividend paid	47,035	-

43.1 This represents remuneration of the Chief Executive, executive director and certain executives that are included in the remuneration disclosed in note 44 to these consolidated financial statements.

43.2 The related parties with whom the Group had entered into transactions or had arrangements/agreements in place during the year have been disclosed below along with their basis of relationship:

Name	Basis of relationship	%age of shareholding in the parent company
Nishat Mills Limited	Investor	31.40%
Adamjee Insurance Company Limited	Group company	0.77%
MCB Bank Limited	Group company	0%
Pakgen Power Limited	Group company	N/A
Pakistan Aviators & Aviation (Private) Limited	Group company	N/A
Security General Insurance Company Limited	Group company	5.22%
Hyundai Nishat Motor (Private) Limited	Common directorship	N/A
Lalpir Power Limited	Common directorship	N/A
Nishat (Chunian) Limited	Group company	N/A
Nishat Agriculture Farming (Private) Limited	Common directorship	N/A
Nishat Sutas Dairy Limited	Group company	N/A
Nishat Developers (Private) Limited	Common directorship	N/A
Nishat Hotels And Properties Limited	Common directorship	N/A
Nishat Hospitality (Private) Limited	Subsidiary of Investor	N/A
Nishat Linen (Private) Limited	Subsidiary of Investor	N/A
Mrs. Naz Mansha	Director/Chairperson	0.03%
Mr. Mahmood Akhtar	Director	N/A
Mr. Shahzad Ahmad Malik	Director	N/A
Mr. Khalid Niaz Khawaja	Director	N/A
Mr. Usama Mahmud	Director	N/A
Mr. Mian Raza Mansha	Director/Chief Executive	3.00%
Mrs. Ammil Raza Mansha	Spouse of Chief Executive	1.34%
Mr. Hassan Mansha	Close family member of director	6.19%
Mr. Farid Noor Ali Fazal	Director	N/A
Mr. Mian Umer Mansha	Close family member of Chief executive and a Director	6.29%
Mr. Arif Bashir	Key Management Personnel	N/A
Mr. Inayat Ullah Niazi	Key Management Personnel	0.00%
Company's Employees Gratuity Fund	Post Employment Benefit Plan	N/A
Company's Employees Provident Fund	Post Employment Benefit Plan	N/A

44. Remuneration of Chief Executive, Directors and Executives

44.1 The aggregate amounts charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Executive Director and Executives are as follows:

	(Rupees in thousand)					
	Chief Executive		Executive Director		Executives	
	2022	2021	2022	2021	2022	2021
Short term employee benefits						
MManagerial remuneration	34,907	27,193	22,339	20,348	874,328	524,232
Housing	-	270	335	335	13,627	187,514
Utilities	-	18,332	443	342	3,739	39,883
Leave passage	-	-	-	-	39,188	17,908
Bonus	2,266	-	1,692	-	140,587	138,638
Medical expenses	367	620	470	526	24,597	21,995
Others	19,674	17,695	918	637	138,224	89,253
Post employment benefits						
Contributions to Provident and Gratuity Fund	-	-	4,095	3,731	94,914	81,520
	57,214	64,110	30,292	25,919	1,329,204	1,100,943
Number of persons	1	1	1	1	253	215

44.2 The Group also provides the Chief Executive, certain directors and executives with company maintained cars, travelling and utilities. Certain executives are provided with housing facilities.

44.3 During the year, the Group paid meeting fee amounting to Rs 910,000 (2021: Rs 945,000) to its non-executive directors. The number of non-executive directors is 5 (2021: 5).

45. Plant capacity and actual production

		Capacity		Actual production	
		2022	2021	2022	2021
Cement segment:					
Clinker (Metric Tonnes)					
Plant I & II - D. G. Khan	- note 45.1	2,010,000	2,010,000	1,655,502	1,708,135
Plant III - Khairpur	- note 45.1	2,010,000	2,010,000	1,727,607	1,588,700
Plant IV - Hub	- note 45.1	2,700,000	2,700,000	2,987,085	2,958,342
Paper segment:					
Cement bags (number of bags in thousand)	- note 45.2	220,000	220,000	85,406	130,988
Dairy segment:					
Milk-litres					
-[100,000 litres per day]	- note 45.3	36,500,000	36,500,000	31,650,987	25,597,139

45.1 Plant capacity is based on 300 working days, that can be exceeded if the plant is operational for more than 300 days during the year. Actual production at D. G. Khan and Khairpur site is less than the installed capacity due to planned maintenance shutdown and gap between market demand and supply of cement.

45.2 Lower capacity utilization is due to gap between demand and supply of the products.

45.3 Actual milk production is lower due to the mortality of milking cows and poor health of certain animals.

46. Number of employees

	2022	2021
Total number of employees as at June 30	2,344	2,258
Average number of employees during the year	2,311	2,233

47. Provident fund related disclosures

47.1 Cement segment

Some of the conditions of provisions of section 218 of the Companies Act, 2017 have not been met while making investments by the provident fund in collective investment schemes, listed equity and debt securities. As at the reporting date, Cement segment Employees Provident Fund is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose.

47.2 Paper segment

The investments by the provident fund are in accordance with the provisions of section 218 of the Companies Act 2017 and the conditions specified thereunder except for:

- Total investment in a single money market collective investment scheme and a single asset management company exceeds 20% and 50% respectively, of the size of the fund, which is a non-compliance of limits for investments in listed securities under section 3 of the Employee Contribution Funds (Investment in Listed Securities) Regulations, 2018 (the "Regulations") dated 6 June 2018, as amended by S.R.O. 856(I)/2019.

47.3 Dairy segment

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

48. Financial risk management

48.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors ('the Board'). The Group's finance department evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management procedures to minimise the potential adverse effects of financial market on the Group's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from cash and bank balances, short term borrowings, receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to bank balances and amounts receivable from foreign entities and short term borrowings.

	2022	2021
	(USD in thousand)	
Financial assets		
Cash and bank balances	1,277	842
Receivable against sales to foreign parties	965	1,112
	2,242	1,954
Financial liabilities		
Trade and other payables	-	(165)
Net asset/(liability) exposure	2,242	1,789

	2022	2021
	(Euros in thousand)	
Financial assets	-	-
Financial liabilities		
Trade and other payables	(570)	(300)
Net liability exposure	(570)	(300)

	Average rate		Year-end spot rate	
	2022	2021	2022	2021
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
USD 1	178.01	157.13	205.50	157.54
EURO 1	202.23	188.83	215.75	188.71

At June 30, 2022, if the Rupee had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been Rs 30.880 million (2021: post-tax profit would have been Rs 23.702 million higher/lower) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD-denominated financial assets and liabilities.

At June 30, 2022, if the Rupee had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs 8.240 million (2021: post-tax profit would have been Rs 4.019 million lower/higher) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Euro-denominated financial assets and liabilities.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as FVOCI and at FVPL. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's certain investments in equity instruments of other entities are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarises the impact of increases/decreases of the KSE-100 index on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Impact on pre-tax profit/loss		Impact on other components of equity	
	2022	2021	2022	2021
	(Rupees in thousand)		(Rupees in thousand)	
Pakistan Stock Exchange Limited	2	3	1,091,564	1,488,550

(iii) Cash flow and fair value interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from loan to related party, bank balances, short term and long-term borrowings. These borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2022	2021
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	353,511	188,765
Term deposit receipts	4,000	57,000
Financial liabilities		
Export finances	(5,162,000)	(4,159,500)
Net exposure	(4,804,489)	(3,913,735)
Floating rate instruments:		
Financial assets		
Loan to related party	-	765,000
Financial liabilities		
Long term finances - secured	(21,861,578)	(26,170,436)
Short term borrowings - secured	(21,008,194)	(16,780,226)
	(42,869,772)	(42,950,662)
Net exposure	(42,869,772)	(42,185,662)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2022, if interest rates on floating rate instruments had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been Rs 287.227 million (2021: post-tax profit would have been Rs 299.518 million lower/higher) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk of the Group arises from deposits with banks and other financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022	2021
	(Rupees in thousand)	
Long term loans to employees	1,192	4,601
Long term deposits	61,526	57,513
Loan to related party	-	765,000
Trade debts	1,591,516	2,570,837
Contract assets	28,501	113,862
Deposits and other receivables	29,918	51,611
Balances with banks	428,633	1,839,867
	2,141,286	5,403,291

(ii) Impairment of financial assets

The Group's financial assets, other than investments in equity instruments, are subject to the expected credit losses model. While bank balances, loans to employees, loan to related party, deposits and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and are therefore not exposed to any material credit risk.

Trade debts

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained from these customers to calculate the net exposure towards these customers. The Group has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before June 30, 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the Consumer Price Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2022 and June 30, 2021 was determined as follows:

	Local sales			Export sales		
June 30, 2022	**Expected loss rate**	**Trade debts**	**Loss allowance**	**Expected loss rate**	**Trade debts**	**Loss allowance**
	%	**(Rupees in thousand)**		**%**	**(Rupees in thousand)**	
Net trade debts*						
Not yet due	0.00%	84,757	-	0%	-	-
Up to 30 days	0.02%	710,038	115	0%	45,532	-
31 to 60 days	0.05%	245,141	129	0%	21,757	-
61 to 90 days	0.13%	127,430	164	0%	60,676	-
91 to 120 days	0.31%	117,065	367	0%	-	-
121 to 150 days	1.09%	46,674	509	0%	5,845	-
151 to 180 days	3.29%	7,840	258	0%	-	-
181 to 210 days	5.64%	5,797	327	0%	22	-
211 to 240 days	9.65%	7,562	730	0%	-	-
241 to 270 days	13.62%	4,031	549	0%	-	-
271 to 300 days	18.69%	3,023	565	0%	-	-
301 to 330 days	28.88%	2,053	593	0%	-	-
331 to 360 days	37.93%	1,052	399	0%	-	-
Above 360 days	65.23%	78,595	51,270	100%	64,553	64,553
		1,441,058	55,975		198,385	64,553
Trade debts against which collateral is held		72,601	-		-	-
Gross Trade debts		**1,513,659**	**55,975**		**198,385**	**64,553**

June 30, 2021	Local sales Expected loss rate %	Local sales Trade debts (Rupees in thousand)	Local sales Loss allowance (Rupees in thousand)	Export sales Expected loss rate %	Export sales Trade debts (Rupees in thousand)	Export sales Loss allowance (Rupees in thousand)
Net trade debts*						
Not yet due	0.00%	313,383	-	0%	-	-
Up to 30 days	0.06%	848,307	533	0%	-	-
31 to 60 days	0.18%	272,274	482	0%	20,480	-
61 to 90 days	0.72%	315,195	2,263	0%	-	-
91 to 120 days	1.71%	142,810	2,441	0%	26,534	-
121 to 150 days	3.73%	62,583	2,334	0%	36,998	-
151 to 180 days	3.66%	22,559	825	0%	27,181	-
181 to 210 days	7.31%	367,407	26,840	0%	-	-
211 to 240 days	15.50%	2,452	380	0%	-	-
241 to 270 days	21.26%	2,831	602	0%	-	-
271 to 300 days	33.24%	33,429	11,111	0%	-	-
301 to 330 days	49.29%	2,191	1,080	0%	-	-
331 to 360 days	46.39%	638	296	0%	-	-
Above 360 days	54.84%	40,248	22,070	100%	64,340	64,340
		2,426,307	71,257		175,533	64,340
Trade debts against which collateral is held		104,594	-		-	-
Gross Trade debts		**2,530,901**	**71,257**		**175,533**	**64,340**

* This represents amounts net of trade debts against which security deposits and inland letters of credit, considered as collateral, are held amounting to Rs 72.601 million (2021: Rs 105.594 million).

The amount of loss allowance that best represents maximum exposure to credit risk at the end of the reporting period without taking into account any collateral is Rs 133.650 million (2021: Rs 125.594 million).

Default is triggered when more than 360 days have passed. The names of defaulting parties of outstanding trade debts from export sales and their respective default amount is as follows:

	2022 (Rupees in thousand)	2021 (Rupees in thousand)
Nobel Translink Private Limited	980	10,375
Chempex Industries	40	31
Hizbullah & Saeed Ullah House Limited	480	369
Vikrant Traders	62,469	47,969
A A Middle East FZE	131	101
Taruna Trading Company	1	4,011
Abhishek Trading Co.	1	-
Sai Enterprises	373	-
Square Corporation	-	1,080
Others	78	404
	64,553	64,340

(iii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired (mainly bank balances) can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating		
	Short term	Long term	Agency	2022	2021
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	261,811	133,819
Askari Bank Limited	A1+	AA+	PACRA	694	238
Bank Islami Pakistan Limited	A1	A+	PACRA	439	228
The Bank of Punjab	A1+	AA	PACRA	1,843	451
The Bank of Khyber	A1	A	PACRA	126	42
Citibank N.A.	P-1	AA3	Moody's	12	12
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	36	1
MCB Bank Limited	A1+	AAA	PACRA	82,256	668,535
Habib Bank Limited	A-1+	AAA	JCR-VIS	21	-
Meezan Bank Limited	A-1+	AA+	JCR-VIS	357	15
National Bank of Pakistan	A1+	AAA	PACRA	1,569	11,805
Silk Bank Limited	A-2	A-	JCR-VIS	5	5
Soneri Bank Limited	A1+	AA-	PACRA	907	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,226	187
United Bank Limited	A-1+	AAA	JCR-VIS	60,245	1,529
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	48	69
Faysal Bank Limited	A1+	AA	PACRA	377	1,000,045
JS Bank Limited	A1+	AA-	PACRA	12	12
MCB Islamic Bank Limited	A1	A	PACRA	15,639	21,558
Samba Bank Limited	AA	A-1	JCR-VIS	4	1,075
Industrial and Commercial Bank of China	F1 +	A	FITCH	-	20
Habib Bank Limited - Islamic	A-1+	AAA	JCR-VIS	6	198
Bank Al-Habib Limited	A1+	AA+	PACRA	-	23
				428,633	1,839,867

(c) Liquidity risk

Liquidity risk represents the risk that the Group shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Group's businesses, the Group's finance department maintains flexibility in funding by maintaining availability under committed credit lines. The Group's borrowing limits and cash and bank balances have been disclosed in notes 13 and 31 to these consolidated financial statements.

Management monitors the forecasts of the Group's cash and cash equivalents (note 42 to these consolidated financial statements) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring consolidated statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

July 01, 2022	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years	Total contractual cashflows	Carrying value
	(Rupees in thousand)					
Long term finances	7,295,096	6,821,177	7,205,562	1,271,553	22,593,388	21,861,578
Trade and other payables	8,416,964	-	-	-	8,416,964	8,416,964
Long term deposits	59,047	23,225	104,035	94,870	281,177	281,177
Short term borrowings						
- secured	26,170,194	-	-	-	26,170,194	26,170,194
Accrued mark-up	928,826	-	-	-	928,826	928,826
Unclaimed dividend	34,512	-	-	-	34,512	34,512
Loans from related parties						
- unsecured	94,000	-	-	-	94,000	94,000
	42,998,639	6,844,402	7,309,597	1,366,423	58,519,061	57,787,251

July 01, 2021	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years	Total contractual cashflows	Carrying value
	(Rupees in thousand)					
Long term finances	6,349,209	7,905,388	11,442,134	2,037,874	27,734,605	26,170,436
Trade and other payables	10,644,575	-	-	-	10,644,575	10,644,575
Long term deposits	51,868	20,402	91,387	83,335	246,992	246,992
Short term borrowings						
- secured	20,939,726	-	-	-	20,939,726	20,939,726
Accrued mark-up	553,468	-	-	-	553,468	553,468
Unclaimed dividend	33,517	-	-	-	33,517	33,517
Loans from related parties						
- unsecured	214,000	-	-	-	214,000	214,000
	38,786,363	7,925,790	11,533,521	2,121,209	60,366,883	58,802,714

48.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the consolidated statement of financial position). Net debt is calculated as total borrowings (including current and non-current borrowings) including bank overdraft less cash and bank balances and liquid investments.

The gearing ratios as at June 30, 2022 and 2021 were as follows:

		2022	2021
		(Rupees in thousand)	
Borrowings - notes 7, 13 & 15		48,106,742	47,324,162
Book overdraft		-	18,048
Cash and bank balances - note 31		(435,158)	(1,898,726)
Net debt		47,671,584	45,443,484
Total equity		72,643,712	75,876,187
Gearing ratio	Percentage	66%	60%

In accordance with the terms of agreement with the lenders of long term finances (as referred to in note 7 to these consolidated financial statements), the Group is required to comply with certain financial covenants such as maintaining certain level of gearing ratio and current ratio. The Group has complied with these covenants throughout the reporting period except for certain covenants in respect of which the lenders have not raised any objection to the Group.

48.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

As at June 30, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investment - FVPL	19	-	-	19
Investments - FVOCI	16,292,047	-	4,306,472	20,598,519
Biological assets	-	-	964,995	964,995
Total assets	16,292,066	-	5,271,467	21,563,533
Total liabilities	-	-	-	-
As at June 30, 2021				
Recurring fair value measurements				
Assets				
Investment - FVPL	26	-	-	26
Investments - FVOCI	20,965,474	-	5,700,229	26,665,703
Biological assets	-	-	877,563	877,563
Total assets	20,965,500	-	6,577,792	27,543,292
Total liabilities	-	-	-	-

Movement in the above mentioned assets has been disclosed in notes 21 and 28 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the year. Since the ordinary shares of Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited are not listed, an investment advisor engaged by the Group has estimated fair values of Rs 18.44 and Rs 25.15 per ordinary share, respectively, as at June 30, 2022, through a valuation technique based on discounted cash flow analysis. 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. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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 is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value 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.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. An appropriate discount for lack of control and lack of marketability is also applied, where relevant.

Valuation techniques used to measure level 3 assets

Investments - FVOCI

Since the ordinary shares of Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited are not listed, an investment advisor engaged by the Group has estimated fair values of Rs 18.44 and Rs 25.15 per ordinary share, respectively, as at June 30, 2022, through a valuation technique based on discounted cash flow analysis.

The method for calculation of fair value and valuation inputs including sensitivity analysis has been explained in note 21.1.1 and 21.1.2 to these consolidated financial statements.

Biological assets

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, 2022. Level 3 fair value of biological assets has been determined considering the prices of animals in local markets (replacement cost approach), health profile of the herd, disease outbreaks in Pakistan, current economic conditions of the country and the current trends in dairy industry in Pakistan.

The fair value is also dependent on the age of the cattle. The milking animals have been classified according to their lactations. As the number of lactations increase, the fair value keeps on decreasing. At the same time, a value was fixed on the calf heifer recently born according to the estimation and in relation with referential values of the similar cattle breeding in Pakistan.

When the cow arrives at 6 years i.e. 72 months of age or more (5th Lactation) and is considered an old cow as is usual in Pakistan, and if the cow remains in the farm because she is profitable, normally this is the stage of culling. The value of cow at this stage shall be kept constant.

a) Valuation inputs and relationship to fair value

The valuation inputs used in the calculation includes the farm cost to raise the heifer (as starting point) and according to actual cost in the farm and the analysis of the average local market prices in Pakistan.

The milking performance for the Australian imported heifers, Dutch heifers and farm born heifers has been almost same throughout the year and hence same values have been ascertained for all the milking animals regardless of their categories but according to their lactation levels.

b) Fair value sensitivity analysis for biological assets

If the fair value of biological assets, at the year end date fluctuates by 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 6.85 million (2021: Rs 6.23 million) higher/lower mainly as a result of higher/lower fair value gain/(loss) on biological assets.

The carrying values of all other 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.

48.4 Financial instruments by categories

	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
		(Rupees in thousand)		
As at June 30, 2022				
Assets as per statement of financial position				
Long term loans to employees	-	-	1,192	1,192
Long term deposits	-	-	61,526	61,526
Trade debts	-	-	1,591,516	1,591,516
Deposits and other receivables	-	-	29,918	29,918
Investments	19	20,598,519	-	20,598,538
Cash and bank balances	-	-	435,158	435,158
	19	20,598,519	2,119,310	22,717,848
As at June 30, 2021				
Assets as per statement of financial position				
Long term loans to employees	-	-	4,601	4,601
Long term deposits	-	-	57,513	57,513
Trade debts	-	-	2,570,837	2,570,837
Deposits and other receivables	-	-	21,301	21,301
Loan to related party	-	-	765,000	765,000
Investments	26	26,665,703	-	26,665,729
Cash and bank balances	-	-	1,898,726	1,898,726
	26	26,665,703	5,317,978	31,983,707

	Financial liabilities at amortized cost 2022	2021
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term finances - secured	21,861,578	26,170,436
Long term deposits	281,177	246,992
Accrued markup	928,826	553,468
Trade and other payables	8,416,964	11,989,594
Short term borrowings	26,170,194	20,939,726
Loans from related parties - unsecured	94,000	214,000
Unclaimed dividend	34,512	33,517
	57,787,251	60,147,733

48.5 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

49. Operating Segments

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

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

Type of segments	Nature of business
Cement	Production and sale of clinker, ordinary portland and sulphate resistant cements
Paper	Manufacture and supply of paper products and packing material
Dairy	Production and sale of raw milk

The identification of operating segments was based on the internal organisational and reporting structure, built on the different products and services within the Group. Allocation of the individual organisational entities to the operating segments was exclusively based on economic criteria, irrespective of the participation structure under the Companies Act, 2017.

49.1 Segment analysis and reconciliation

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 IFRSs applicable to the consolidated financial statements. All Group financial data are assigned to the operating segments.

(Rupees in thousand)

	Cement		Paper		Dairy		Elimination - net		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue from										
- External customers	58,043,863	45,107,690	1,389,773	1,944,920	2,825,840	2,022,267	-	-	62,259,476	49,074,877
- Inter segment	-	-	1,680,394	2,034,598	536	4,271	(1,680,930)	(2,038,869)	-	-
	58,043,863	45,107,690	3,070,167	3,979,518	2,826,376	2,026,538	(1,680,930)	(2,038,869)	62,259,476	49,074,877
Segment gross profit/(loss)	10,428,310	8,071,893	669,859	993,815	244,307	22,424	(17,245)	(80,728)	11,325,231	9,007,404
Segment expenses	(3,512,940)	(2,906,432)	(129,243)	(106,864)	(157,422)	(175,640)	(14,705)	-	(3,814,310)	(3,188,936)
Other income	2,675,576	2,526,818	63,932	23,958	20,608	18,950	(24,655)	(925)	2,735,461	2,568,801
Changes in fair value of biological assets	-	-	-	-	303,033	241,437	-	-	303,033	241,437
Finance cost	(3,571,187)	(2,920,874)	(172,601)	(197,057)	(4,292)	(3,857)	-	-	(3,748,080)	(3,121,788)
Taxation	(3,047,629)	(1,050,131)	(140,282)	(188,864)	(231,002)	(174,740)	-	-	(3,418,913)	(1,413,735)
Profit/(loss) after taxation	2,972,130	3,721,274	291,665	524,988	175,232	(71,426)	(56,605)	(81,653)	3,382,422	4,093,183
Segment assets	136,562,012	137,894,697	4,430,998	5,942,936	3,749,576	3,322,952	(3,151,732)	(3,059,277)	141,590,854	144,101,308
Segment liabilities	66,643,909	61,060,072	2,214,861	3,897,073	1,088,790	837,397	(1,000,418)	2,430,579	68,947,142	68,225,121
Depreciation, amortization and impairment	3,913,288	3,580,807	61,939	60,001	160,644	151,076	20,135	25,899	4,156,006	3,817,783
Net cash generated (used in)/from operating activities	(3,932,479)	6,161,190	1,089,569	1,055,761	(3,983)	(49,388)	(143,262)	(421,386)	(2,990,155)	6,746,177
Capital expenditure	(1,718,051)	(5,087,104)	(1,642)	(17,403)	(191,862)	(158,797)	(21,497)	(4)	(1,933,052)	(5,263,308)
Net cash generated from/(used in) investing activities	1,461,646	(2,962,160)	(34,510)	(30,618)	(30,848)	804	(180,188)	(15,462)	1,216,100	(3,007,436)

49.2 Geographical segments

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

49.3 Geographical markets (Export Revenue)

	2022	2021
	(Rupees in thousand)	
Afghanistan	43,917	136,745
Bangladesh	3,024,100	5,609,219
Madagascar	1,361,920	523,800
United States of America	467,867	-
Seychelles	-	4,749
Mozambique	294,337	270,613
Comoros	-	4,471
Cameroon	-	290,171
Philippines	15	-
Qatar	1,041,421	-
China	3,414	1,206,766
Sri Lanka	3,235,024	1,537,619
	9,472,015	9,584,153

50. Interests in other entities

50.1 Material subsidiaries

The subsidiaries as at June 30, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Parent, and the proportion of ownership interests held equals the voting rights held by the Parent. The country of incorporation or registration and their principal places of business are disclosed in note 1.

	Ownership interest held by the Group		Ownership interest held by non-controlling interests		
Name of entity	2022	2021	2022	2021	Principal activities
Nishat Paper Products Company Limited	55%	55%	45%	45%	Paper products and packaging material
Nishat Dairy (Private) Limited	55.10%	55.10%	44.90%	44.90%	Production and sale of raw milk

50.2 Non-controlling interests ('NCI')

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	Nishat Paper Products Company Limited		Nishat Dairy (Private) Limited	
	2022	2021	2022	2021
	(Rupees in thousand)		(Rupees in thousand)	
Summarised statement of financial position				
Current assets	2,902,691	4,371,178	658,492	658,492
Less: current liabilities	1,577,061	3,122,728	677,388	677,388
Net current assets/(liabilities)	1,325,630	1,248,450	(18,896)	(18,896)
Non-current assets	1,528,307	1,571,757	2,671,015	2,671,015
Less: non-current liabilities	637,800	774,345	14,821	14,821
Net non-current assets	890,507	797,412	2,656,194	2,656,194
Net assets	2,216,137	2,045,862	2,637,298	2,637,298
Accumulated non-controlling interests	1,065,606	970,625	1,284,005	1,211,724
Summarised statement of comprehensive income				
Revenue	3,070,167	3,979,518	2,826,376	2,026,538
Profit/(loss) for the year	291,665	524,989	175,232	(71,425)
Other comprehensive loss	(51,586)	(3,229)	-	-
Total comprehensive income/(loss)	240,079	521,760	175,232	(71,425)
Profit/(loss) allocated to NCI	149,607	206,621	72,281	(39,173)
Other comprehensive loss allocated to NCI	(23,214)	(1,453)	-	-
Dividends paid to NCI	(31,412)	-	-	-
Summarised cash flows				
Cash flows from operating activities	1,089,569	1,055,761	3,983	49,388
Cash flows from investing activities	(34,510)	(30,618)	(30,848)	804
Cash flows from financing activities	(433,557)	(262,252)	(44,644)	15,961
Net increase/(decrease) in cash and cash equivalents	621,502	762,891	(71,509)	66,153

	2022	2021
	(Rupees in thousand)	
51. Disclosures by Company Listed on Islamic Index		
Loans/advances obtained as per Islamic mode:		
Loans obtained as per Islamic mode	7,670,211	6,428,254
Shariah compliant bank deposits/bank balances:		
Bank balances	16,083	21,503
Profit earned from shariah compliant bank deposits/bank balances		
Profit on deposits with banks	879	1,847
Revenue earned from shariah compliant business	58,043,863	45,107,691
Gain or dividend earned from shariah compliant investments		
Dividend income	124,034	123,212
Exchange gain	839,234	58,308
Mark-up paid on Islamic mode of financing	422,174	419,053
Profits earned or interest paid on any conventional loan or advance		
Profit earned on loan to related party	-	64,517
Profit earned on deposits with banks	8,102	12,274
Interest paid on loans	3,544,656	2,706,328

Relationship with shariah compliant banks

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

52. Date of authorisation for issue

These consolidated financial statements were authorised for issue on September 13, 2022 by the Board of Directors.

53. Event after the reporting period

The Board of Directors have proposed a dividend of Rupee 1 per share, amounting to Rs 438.119 million at their meeting held on September 13, 2022 for approval of the members at the Annual General Meeting to be held on October 28, 2022. These consolidated financial statements do not include the effect of the above dividend that will be accounted for in the period in which it is approved.

54. Corresponding figures

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison, however, no significant reclassification has been made.

Chief Executive	Chief Financial Officer	Director

GLOSSARY

Term	Meaning
BAC	Board Audit Committee
Breakup Value	Shareholders' Equity/Number of Shares
Current Ratio	Current Assets divided by Current Liabilities
Debt to Equity	Total Debt/Equity
DGK	Dera Ghazi Khan
DGKC	D.G. Khan Cement Company Limited
Dividend Yield	Dividend Per Share/Stock Price
Divident Payout	Dividend per Share/ EPS
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EPS	Earnings Per Share
FX	Foreign Exchange (Currency)
FY	Financial Year
GDP	Gross Domestic Product
GP	Gross Profit
HR & R	Human Resource & Remuneration Committee
Interest Coverage	EBITDA/Interest
IT	Information Technology
KHP	Khairpur
KIBOR	Karachi Interbank Offer Rate
LIBOR	London Interbank Offer Rate
MIS	Management Information System
mt	Million Tons
MW	Mega Watt
OPC	Ordinary Portand Cement
PAT	Profit After Tax
PE	Price Earning Ratio= Stock Price/EPS
PKR	Pakistani Rupee
ROA	Return Assets
ROE	Return on Equity
SRC	Sulphate Resistant Cement
TPD	Tons Per Day
USD	United States Dollar
Working Capital	Current Assets less Current Liabilities
WPPF	Workers Profit Participation Fund
WWF	Workers Welfare Fund

h۔ کمپنی کے آپریٹنگ نتائج میں گزشتہ سال سے اہم تبدیلیوں پر روشنی ڈالی گئی ہے اورڈائریکٹرز رپورٹ / سالانہ رپورٹ کے دوسرے حصوں میں مدلل درج ہیں۔ دیگر اہم کاروباری امور پر سالانہ رپورٹ میں تفصیلاً روشنی ڈالی گئی ہے۔

i۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

j۔ جہاں ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا ہے، اس کے لئے ایک مختصر وضاحت اور وجوہات معہ رقم کا مالی حسابات میں انکشاف کیا گیا ہے۔

k۔ اہم منصوبوں اور فیصلوں جیسا کہ کارپوریٹ کی تنظیم نو، کاروبار کی توسیع اور آپریشن کی بندش، مستقبل کے امکانات، خطرات اور کمپنی کے گرد غیر یقینی صورتحال کا خاکہ پیش کیا گیا ہے۔

l۔ ہر ڈائریکٹر کی، سال کے دوران منعقد بورڈ اور کمیٹی کے اجلاسوں میں حاضری کی تعداد اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

m۔ تربیتی پروگراموں کی تفصیلات جن میں ڈائریکٹروں نے شرکت کی اس سالانہ رپورٹ کے ہمراہ منسلک ہیں۔

n۔ شیئر ہولڈنگ کا پیٹرن اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

o۔ کمپنی اپنی تمام مالی ذمہ داریوں میں باقاعدہ ہے۔

p۔ کمپنی کے حصص میں اس کے ڈائریکٹرز، ایگزیکٹوز اور ان کے زوج اور نابالغ بچوں کی طرف سے کی گئی تمام تجارت اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

q۔ پراویڈنٹ فنڈ کے غیر نظرثانی شدہ اکاؤنٹس کی بنیاد پر سرمایہ کاری کی قیمت 2,098 ملین روپے (FY21: 2,160 ملین روپے) اور گریجوئٹی فنڈ 539 ملین روپے (FY21: 516 ملین روپے) ہے۔

ہم اپنے تمام اسٹیک ہولڈرز کی حمایت کے شکر گزار اور اپنے تمام ملازمین کی ان تھک کوششوں کو سراہتے ہیں۔

منجانب بورڈ

رضا خشا
چیف ایگزیکٹو آفیسر

لاہور
13 ستمبر 2022ء

فرید نور علی فضل
ڈائریکٹر

- کمپنی معذور افراد کی بحالی میں بھی مدد کرتی ہے۔
- کمپنی کوئلے کے استعمال کی جگہ، کسی حد تک، شہر سے جمع ہونے والے کوڑے کو استعمال کرتی ہے۔ یہ عمل اگرچہ معاشی طور پر ناقابل برداشت ہے لیکن اس نے کمپنی کی پالیسی کے مطابق صاف ستھرا ماحول برقرار رکھنے میں اہم کردار ادا کیا۔

کمپنی کی دیگر CSR سرگرمیوں کا سالانہ رپورٹ کے دیگر پارٹس میں تفصیلی بیان کیا گیا ہے۔

اہم تبدیلیاں

مالی سال کے دوران کمپنی یا اس کے ماتحت اداروں جن میں کمپنی دلچسپی رکھتی ہے، کے کاروبار کی نوعیت کے بارے میں کوئی تبدیلی واقع نہیں ہوئی ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ بورڈ نے آئندہ سالانہ عام اجلاس میں ارکان کی منظوری سے مشروط آڈٹ کمیٹی کی طرف سے تجویز کے طور پر آئندہ سال کے لئے بطور آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی تقرری کی سفارش کی ہے۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 (ریگولیشنز) کی تعمیل

کمپنی نے 30 جون 2022 کو ختم ہونے والے سال کی متعلقہ، ریگولیشنز کے ضابطے کو اپنایا اور اس پر مکمل طور عمل کیا ہے۔ اس اثر پر باقاعدہ ایک رپورٹ منسلک ہے۔

کمپنی کی اصل سرگرمی

کمپنی کی اصل سرگرمی سیمنٹ اور کلنکر کی تیاری اور فروخت کرنا ہے۔ ذیلی کمپنیوں سے متعلقہ معلومات کا سالانہ رپورٹ میں انکشاف کیا گیا ہے۔

متعلقہ پارٹیوں سے لین دین

بورڈ نے قانون کے مطابق متعلقہ پارٹیز پالیسی تیار کی ہے اور جس کا خلاصہ سالانہ رپورٹ میں بیان کیا گیا ہے۔ تمام متعلقہ پارٹیوں کے ساتھ لین دین کا انکشاف مالی گوشواروں کے نوٹس میں کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

آپ کی کمپنی کے ڈائریکٹرز بیان کرتے ہیں کہ:

a۔ کمپنی کی انتظامیہ کی طرف سے تیارکردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

b۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

c۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

d۔ مالی حسابات کو کمپنیز قانون کے تحت تیار کیا گیا ہے اور اس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

e۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

f۔ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔

g۔ ضابطہء کارپوریٹ گورننس میں سے کسی خاطر خواہ شق سے انحراف نہیں ہو رہا ہے۔

5۔ جناب محمود اختر	نان ایگزیکٹو
6۔ جناب فرید نور علی فضل	ایگزیکٹو
7۔ جناب شہزاد احمد ملک	نان ایگزیکٹو

خاتون ڈائریکٹر:	01
مرد ڈائریکٹر:	06

آڈٹ کمیٹی

1۔ جناب خالد نیاز خواجہ	چیئرمین
2۔ جناب اسامہ محمود	رکن
3۔ جناب محمود اختر	رکن

انسانی وسائل اور معاوضہ کمیٹی

1۔ جناب خالد نیاز خواجہ	چیئرمین
2۔ جناب رضا منشا	رکن
3۔ جناب شہزاد ملک	رکن

بعد از بیلنس شیٹ کے واقعات

بعد از بیلنس شیٹ کوئی اہم واقع نہیں ہے جو رپورٹ کیا جائے۔

کاروبار کے ماحول پر اثرات

ہمارے پلانٹس اور آپریشن بین الاقوامی اور قومی ماحول کے معیارات کے مطابق ہیں۔ کمپنی تے پلانٹ سے خارج ہونے والی ہیٹ سے بجلی پیدا کرنے اور صنعتی اور میونسپل فضلوں کو استعمال میں لانے کے لئے جدید مشینریوں میں بھاری سرمایہ کاری کی ہے۔

کارپوریٹ سماجی ذمہ داری

DGKC اپنی معاشرتی اور فلاحی ذمہ داریوں سے بخوبی واقف ہے۔

تعلیم

کمپنی ڈی جی خان میں بلوم فیلڈ ہال سکول اور سیمنٹ ماڈل ٹرسٹ سکول نامی دوسکولوں کو چلاتی ہے۔

میڈیکل اور فائر فائٹنگ

- ڈی جی خان، خیر پور اور حب کے مقامات پر فری ڈسپنسری کی سہولت دستیاب ہے۔ ڈسپنسری کی سہولت علاقے کے لوگوں کے لئے بالکل مفت ہے۔
- سائٹ پر سے اور ڈسپنسری اور قریبی دیہاتوں تک فری وین ٹرانسپورٹیشن کی سہولت
- کمپنی مقامی کمیونٹیز کے لئے فری ایمبولینس سروسز چلاتی ہے۔
- کمپنی قریبی علاقوں کے لئے فری فائر فائٹنگ سروس بھی چلاتی ہے۔

پانی کی فراہمی اور خوراک کی تقسیم

- کمپنی نے اپنی پیداواری سہولیات کے قریبی مقامی علاقوں/دیہاتوں کے لئے واٹر سپلائی کے بھی انتظامات کئے ہیں۔
- ہنگامی اور قدرتی آفات میں مدد
- کمپنی ملحقہ علاقوں میں کسی بھی ناگہانی / حادثے کی صورت میں ضرورت کی بنیاد پر آلات اور خدمات مہیا کرتی ہے۔
- کمپنی قدرتی آفتوں کے متاثرین کی بحالی میں مدد کرتی ہے۔
- پلانٹ کے مقامات کے قریبی سیلاب کے متاثرین میں خوراک کی تقسیم۔

آگاہی اور ایچ ایس ای

- کمپنی بیماریوں اور ان کی روک تھام پر مختلف آگاہی کے سیشنز کا انعقاد کرتی ہے۔
- کمپنی سیکیورٹی، صحت اور حفاظت پر سیشن کا اہتمام کرتی ہے اور ہنگامی صورت حال کی فرضی مشقوں کو انجام دیتی ہے۔
- جنرل
- کمپنی کھیلوں کے لئے مستحق افراد کی مدد کرتی ہے۔

سے پیدا ہونے والے سیاسی معاشی تناؤ نے دنیا کو اپنی لپیٹ میں لے رکھا ہے۔ یہ تمام عوامل پاکستانی روپیہ / امریکی ڈالر کی برابری پر دباؤ ڈال رہے ہیں جب تک کہ دوست ممالک کی حمایت یا IMF پروگرام سازگار شرائط کے ساتھ دوبارہ شروع نہ کیا جائے۔ توقع ہے کہ لاگت کے اس پورے دباؤ کو صارفین تک منتقل کیا جائے گا ورنہ یہ کمپنی کے مارجن کو کم کر سکتا ہے۔ SBP نے نمو کو کم کرنے کے لیے ڈسکاؤنٹ شرحوں کو بڑھا کر 15 فیصد تک برقرار رکھا۔ بین الاقوامی کوئلے کی قیمتیں اب بھی بہت زیادہ ہیں۔ ہم لاگت کو کنٹرول کرنے کے لیے درآمدی اور افغانی کوئلے اور متبادل توانائی کے مناسب مرکب کا استعمال جاری رکھے ہوئے ہیں۔ علاقائی سیاست اور تنازعات بھی پاکستان کے مجموعی کاروباری ماحول پر ممکنہ منفی اثرات مرتب کر سکتے ہیں۔ بڑھتی ہوئی افراط زر اور تعمیراتی سامان کی قیمتیں بھی ہاؤسنگ لون کی پشت پر سیمنٹ کی طلب اور سیمنٹ کی ترسیل کے حجم کو متاثر کر سکتی ہیں۔ آئی ایم ایف نے اسٹیٹ بینک پر نئی رعایتی فنانسنگ (بشمول ہاؤسنگ فنانس) کے حوالے سے بھی پابندیاں عائد کر دی ہیں۔ اس کے ساتھ ساتھ، افراط زر کی تعداد کے مطابق رعایتی شرحیں مزید بڑھ سکتی ہیں۔ یہ دونوں عوامل کمپنی کے لیے منفی مالی اثرات مرتب کرتے ہیں۔ اسٹیٹ بینک نے پلانٹ اور مشینری اور اسپیئر پارٹس کی درآمد سے قبل پیشگی منظوری حاصل کرنے پر بھی پابندی عائد کر دی ہے۔ یہ کمپنی کے پلانٹ کے آپریشنز کو متاثر کر سکتا ہے اور آپریشنز میں خلل ڈال سکتا ہے۔ سال کے آخر میں شدید بارشوں اور سیلاب نے برآمدات کو بھی متاثر کیا ہے۔ مثبت پہلو پر، DGKC نے کامیابی کے ساتھ USA سے آرڈر حاصل کیے ہیں۔ بندرگاہ کے قریب حب پلانٹ کے ساتھ، اس ترقی نے آئندہ سالوں میں سیمنٹ کی برآمدات میں اضافے کی راہ ہموار کی ہے۔ حب سائٹ پر کوئلے سے چلنے والے پاور پلانٹ نے ستمبر 2021 میں اپنا کام شروع کر دیا ہے، جس سے حب سائٹ پر ہمارا پلانٹ خود کفیل اور توانائی کی بچت کر رہا ہے۔

تصرف

بورڈ نے منافع اور صلاحیت کی توسیع کی ضروریات کو مدنظر رکھتے ہوئے، FY22 کے لئے 1.0 پاکستانی روپے فی شیئر کے ڈیویڈنڈ کی سفارش کرنے کا فیصلہ کیا ہے۔

اہم خطرات

کمپنی کی اصل سرگرمی سیمنٹ اور کلنکر تیار اور فروخت کرنا ہے اور کمپنی کو مندرجہ ذیل اہم خطرات کا سامنا ہے:

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

ڈائریکٹرز کا مشاہرہ

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

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

ڈائریکٹرز اور دیگر ایگزیکٹوز کے مشاہرہ کی تفصیلات مالی گوشواروں میں دی گئی ہیں۔

ڈائریکٹرز

مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:

1۔ محترمہ ناز منشا (چیئرپرسن)	نان ایگزیکٹو
2۔ جناب رضا منشا	ایگزیکٹو
3۔ جناب خالد نیاز خواجہ	آزاد
4۔ جناب اسامہ محمود	آزاد

کم از کم ٹیکس کیری فارورڈ مدت کو کم کر کے 3 سال کر دیا گیا ہے۔ محتاط رہتے ہوئے، کچھ کم از کم 608 ملین روپے کے ٹیکس اثاثے جو ہماری کتابوں میں ہیں خرچ کئے جائیں تاہم ہمارا خیال ہے کہ ان ٹیکس کریڈٹس کو ان کی میعاد ختم ہونے سے پہلے موجودہ اور مستقبل کے ٹرن اوور ٹیکس کے ساتھ ایڈجسٹ کیا جا سکتا ہے۔ ان عوامل کے نتیجے میں سال کے لیے ٹیکس کے اخراجات میں اضافہ ہوا۔

مالی کارکردگی - مجموعی

آپ کے گروپ کے مختصر مجموعی نتائج مندرجہ ذیل ہیں:

پاکستانی روپے ہزاروں میں

	مالی سال 2022	مالی سال 2021
خالص فروخت	62,259	49,074
مجموعی منافع	11,325	9,007
PBT	6,801	5,507
PAT	3,382	4,093
EPS (پاکستانی روپے/شیئر)	7.21	8.96

تمام ذیلی اداروں نے بھی مجموعی نتائج میں منافع یابی میں حصہ شامل کیا۔ مجموعی نتائج کا تفصیلی تجزیہ " Segmental Review of Business Performance" سیکشن میں فراہم کیا گیا ہے۔

نئے اور جاری منصوبے

کمپنی اپنی حب سائٹ پر ایک نیا متبادل ایندھن توانائی پلانٹ لگانے کا منصوبہ بنا رہی ہے۔ متبادل ایندھن کے استعمال سے نہ صرف مختلف قسم کے صنعتی، زراعتی اور میونسپل کچرے سے چھٹکارا حاصل کرنے میں مدد ملتی ہے بلکہ اس سے پیداواری لاگت بھی کم اور درآمد شدہ کوئلے کی جگہ محفوظ اور صاف ستھرا ماحول پیدا ہوتا ہے۔ بین الاقوامی منڈیوں میں موجودہ نرخوں کی بنیاد پر اس منصوبے سے ہر سال تقریباً 22 ملین امریکی ڈالر کی بچت متوقع ہے۔ مزید برآں، درآمدی کوئلے کو تبدیل کرنے سے ملک کے قیمتی زرمبادلہ کی بھی بچت ہوگی۔ پراجیکٹ اور ایل سی کی منظوری اسٹیٹ بینک آف پاکستان کے پاس زیر التواء ہے۔ توقع ہے کہ یہ منصوبہ اسٹیٹ بینک کی منظوری سے مشروط مالی سال 2024 میں مکمل ہو جائے گا۔

کمپنی اپنی سائٹ خیر پور میں 6.9 میگاواٹ کا آن گرڈ سولر پاور پلانٹ لگانے کا بھی منصوبہ بنا رہی ہے۔ یہ منصوبہ تقریباً چھ ماہ میں مکمل ہو جائے گا اور فوسل ایندھن سے بننے والی بجلی/نیشنل گرڈ سے خریدی گئی بجلی کی جگہ لے لی گی۔ اس سے کاربن کے نقصانات کو کم کرنے میں مدد ملے گی جو ہمارے وژن اور ماحول دوست پیداواری عمل کی طرف بڑھنے کے نقطہ نظر کے مطابق ہے۔ کمپنی اپنے ڈی جی خان اور حب سائٹس پر 6 میگاواٹ کا ایک ایک سولر پاور پلانٹ لگانے کا بھی منصوبہ رکھتی ہے۔

مستقبل کا نقطہ نظر

ملک کی معاشی اور سیاسی صورتحال ابتری کا شکار ہے۔ اگرچہ نئی حکومت بن چکی ہے، لیکن اس کی انتہائی کمزور اکثریت، مضبوط اپوزیشن اور اس کے اپنے مستقبل کے لائحہ عمل کی وجہ سے اب بھی غیر یقینی صورتحال ہے۔ ملک سال کے آخر میں ہونے والی شدید بارشوں اور سیلاب سے بھی متاثر ہوا ہے، جس کی وجہ سے فصلوں، مویشیوں اور انفراسٹرکچر کو بہت زیادہ نقصان پہنچا اور پاکستان بھر میں انسانی جانوں کا ضیاع ہوا ہے۔ اس سے پاکستانی معیشت کو بہت زیادہ نقصان پہنچے گا۔ اس تباہی کو مدنظر رکھتے ہوئے، جب تک آئی ایم ایف کے ساتھ نئے معاہدے پر مالیاتی جانب سے رعایات کے لیے دوبارہ مذاکرات نہیں کئے جاتے، ہمیں آئندہ ایک بہت ہی مشکل سال کا سامنا کرنا پڑے گا۔ دولت کو گردش میں رکھنے کے لیے حکومت کو ان سماجی و اقتصادی شعبوں میں فنڈز لگانے کی ضرورت ہے۔ جب تک IMF اس کی اجازت نہیں دیتا، ہمیں آئندہ مہینوں میں مزید افراط زر کا سامنا کرنا پڑ سکتا ہے جو کہ پہلے ہی اگست-22 میں 40 فیصد تک پہنچ گئی تھی۔ تاہم، کاروباری نقطہ نظر سے، انفراسٹرکچر کی تعمیر کی ضروریات سیمنٹ کے شعبے کے لیے مواقع فراہم کر سکتی ہیں اگر حکومت فنڈز کی منصفانہ منصوبہ بندی کرے۔ بیرونی محاذ پر، ایندھن کی بلند عالمی قیمتوں کی وجہ سے کرنٹ اکاؤنٹ خسارہ پر ناقابل برداشت دباؤ کی وجہ سے ذخائر کم ہیں۔ مشرقی یورپ میں تنازعات اور اس

جائزہ

زیرِ جائزہ مالی سال 22 بلند افراطِ زر، سیاسی بحران اور معاشی بے یقینی کے ساتھ ایندھن اور کوئلے کی زیادہ قیمتوں کے ساتھ نمایاں رہا۔ سال کے آغاز میں، حکومت نے پی ایس ڈی پی کے زیادہ اخراجات، ٹارگٹڈ سبسڈیز، زراعت کی منصوبہ بندی، برآمدات پر مرکوز حکمت عملیوں اور مختلف اقدامات کے ذریعے تعمیراتی شعبے کو رعائت کے ذریعے میکرو اکنامک سطح پر اعلیٰ نمو حاصل کرنے کے لیے بڑی توقعات کے ساتھ بجٹ پاس کیا۔ نایاب سپر کموڈٹی سائیکل کے باعث ایندھن اور توانائی کی بلند قیمتوں کی وجہ سے عالمی سطح پر مہنگائی کے بحران نے اس رفتار کو روک دیا۔ اس کے نتیجے، میں پاکستانی معیشت سال کے ابتدائی مہینوں میں مشکلات کا شکار ہوگئی۔ کرنٹ اکاؤنٹ خسارہ جس نے مالی سال 21 کی آخری سہ ماہی میں کمی کے آثار دکھانا شروع کر دیئے، موجودہ سال میں بھی کمی جاری ہے۔ اگرچہ اسی طرح کا رجحان دوسرے ممالک میں بھی دیکھا گیا لیکن پاکستان کی کمزور بیرونی پوزیشن، جی ڈی پی، درآمدات اور قرضوں کی زیادہ ادائیگی نے پاکستان کے لیے صورتحال کو خطرناک بنا دیا ہے۔ جبکہ حکومت 5.8 فیصد کی اچھی نمو درج کرنے میں کامیاب رہی لیکن روس-یوکرین جنگ نے آئندہ سال سست روی کا راستہ طے کیا جس کی وجہ سے ایندھن کی قیمتوں میں اضافے کی توقع کے ساتھ CAD میں اضافہ ہوا۔ بیرونی کھاتوں کی مدد کے لیے آئی ایم ایف سے رابطہ کیا گیا۔ پاکستانی روپیہ کی قدر میں کمی اور رعایتی شرحیں بڑھا دی گئیں۔ افراط زر کا رجحان جسے ابتدائی طور پر قلیل مدتی سمجھا جاتا تھا، اب درمیانی سے طویل مدتی رجحان کی توقع ہے۔ ان عوامل نے عام لوگوں کی قوت خرید کو متاثر کیا اور اس کا اثر تمام صنعتوں پر نظر آتا ہے۔

سیمنٹ انڈسٹری کی ترسیلات اور تجزیہ

حجم کے لحاظ سے، صنعت کی کل فروخت مقدار میں سالانہ بنیادوں پر 4.5 ملین ٹن (7.9%) کی کمی جو 52.9 ملین ٹن تک پہنچ گئی۔ شمالی زون نے جنوبی زون کے 1.6 ملین ٹن (12.2%) کے مقابلے میں 2.9 ملین ٹن (6.5%) کی منفی نمو درج کی۔ مزید تجزیہ ظاہر کرتا ہے کہ منفی نمو برآمدات کی وجہ سے ہوئی جس میں 4.0 ملین ٹن (43.6%) کی واقع ہوئی جبکہ مقامی ترسیلات میں 0.5 ملین ٹن کی معمولی کمی واقع ہوئی۔ صنعت کی مستعمل فروخت گزشتہ سال کی اسی مدت کے 83 فیصد کے مقابلے میں کم ہو کر 76 فیصد ہوگئی۔ اس میں بڑے پیمانے پر 69 فیصد کی مقامی فروخت جبکہ برآمدات کی فروخت کا 7 فیصد حصہ استعمال کیا گیا۔

کاروباری کارکردگی کا جائزہ

آپ کی کمپنی کے کلن کے آپریشنل دن 1,055 دنوں سے 1,030 دن تک 2.3 فیصد کم ہوگئے۔ کلینکر کی فیصد پیداوار 95% (FY21: 93%) تک زیادہ رہی۔ آپ کی کمپنی کی مستعمل فروخت کم ہو کر 92% (FY21: 103%) ہوگئی جس کی بنیادی وجہ گزشتہ سال کے پائلنگ کلینکر اسٹاک سے بڑے پیمانے پر کلینکر کی برآمد ہے۔ صنعت کے مطابق، کمپنی کی مقامی فروخت میں 4.0% کی کمی واقع ہوئی۔ کلینکر کو مقررہ لاگت میں حصہ ڈالنے کے لیے برآمد کیا گیا جس سے (بشمول سیمنٹ کی برآمد سے) 54 ملین امریکی ڈالر کا قیمتی زرمبادلہ کمایا گیا۔

فروخت، قدر کے لحاظ سے، بنیادی طور پر مستحکم مقامی سیمنٹ کی قیمتوں کی وجہ سے اضافہ ہوا ہے۔ مہنگائی، توانائی اور ایندھن کی بلند قیمتوں کا سارا اثر صارفین تک منتقل نہیں کیا جا سکا۔ کمپنی کو لاگت کو مدنظر رکھتے ہوئے اور قیمتی زرمبادلہ کے ذخائر کی بچت کرتے ہوئے، درآمدی جنوبی افریقی کوئلے کے بدلے جزوی طور پر متبادل ایندھن اور افغانی کوئلے کی طرف منتقل کر دیا گیا۔ فروخت کے اخراجات میں کمی کا تعلق کلینکر کی فروخت میں کمی سے تھا۔ کرنسی کی قدر میں کمی کے نتیجے میں کوئلے کی درآمد کی وجہ سے زیادہ زرمبادلہ کا نقصان ہوا اس کا اثر دیگر اخراجات میں نظر آتا ہے۔ پچھلی سہ ماہی میں رعایتی شرحوں میں اضافے کی وجہ سے مالی اخراجات میں اضافہ ہوا۔

ٹیکس کے لیے مؤثر ٹیکس کی شرح مالی سال 21 میں 22.01 فیصد کے مقابلے 50.63 فیصد تک بڑھ گئی۔ فنانس ایکٹ 2022 کے ذریعے بہت سی تبدیلیاں نافذ کی گئیں جو مالی سال 22 کے لیے سابقہ اثر رکھتی ہیں۔ سیمنٹ کی صنعت کے لیے 10% کا اضافی یک وقتی سپر ٹیکس عائد کیا گیا۔ آئندہ سالوں کے لیے اس ٹیکس کو کم کر کے 4% کر دیا گیا ہے۔ نتیجتاً، ٹیکس کی شرح میں تبدیلی کے لیے مؤخر ٹیکس کے زیادہ اخراجات ریکارڈ کیے گئے۔

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 22 کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

30 جون 2022 ءمختتمہ سال کے لئے کمپنی کی مجموعی کارکردگی کے اعداد وشمار:

	مالی سال 2022	مالی سال 2021
	پاکستانی روپے ہزاروں میں	
فروخت	58,043,863	45,107,690
قیمت فروخت	(47,615,551)	(37,035,798)
مجموعی منافع	10,428,312	8,071,892
انتظامی اخراجات	(751,052)	(646,762)
فروخت اور تقسیم کے اخراجات	(1,748,859)	(1,950,056)
مالی اثاثوں پر خالص قرضی نقصان	(8,990)	104,703
دیگر معاملاتی اخراجات	(1,042,803)	(414,315)
دیگر آمدنی	2,714,340	2,526,818
مالی لاگت	(3,571,187)	(2,920,875)
ٹیکسیشن سے قبل (نقصان)/منافع	6,019,761	4,771,405
ٹیکسیشن	(3,047,629)	(1,050,132)
سال کے لئے (نقصان)/منافع	2,972,132	3,721,273

GP%	18.0%	17.9%
PBT %	10.4%	10.6%
PAT%	5.1%	8.2%
EPS	6.78	8.49

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

	مالی سال 2022	مالی سال 2021
پیداوار	اعداد وشمار میٹرک ٹن میں	
کلنکر کی پیداوار	6,370,194	6,255,177
سیمنٹ کی پیداوار	5,354,142	5,433,349
فروخت		
کل فروخت	5,358,873	5,400,888
مقامی فروخت	5,061,409	5,271,349
برآمد فروخت	297,464	129,539
کلنکر فروخت	1,173,745	1,853,867

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of **D. G. Khan Cement Company Limited** (the Company/DGKC) will be held on October 28, 2022 (Friday) at 11:00 A.M. at Emporium Mall, The Nishat Hotel, Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Un-consolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2022 together with the Chairman's Review, Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 10% [i.e. Re. 1 (Rupee One Only) per Ordinary Share as recommended by the Board of Directors.

3. To elect Seven (7) Directors of the Company, as fixed by the Board of Directors, for the next term of three years, in accordance with the provisions of Section 159 of the Companies Act, 2017, in place of following retiring directors who are also eligible to offer themselves for re-election:-

1. Mrs. Naz Mansha
2. Mian Raza Mansha
3. Mr. Khalid Niaz Khawaja
4. Mr. Usama Mahmud
5. Mr. Farid Noor Ali Fazal
6. Mr. Mahmood Akhtar
7. Mr. Shahzad Ahmad Malik

4. To appoint statutory Auditors for the year 2022-23 and fix their remuneration.

5. Special Business:-

To consider and if deemed fit, to pass the following resolutions as Special Resolutions under Section 199 of the Companies Act, 2017, as recommended by the Board of Directors with or without modification, addition(s) or deletion(s).

RESOLVED THAT approval of the members of D. G. Khan Cement Company Limited ("**the Company**") be and is hereby accorded and the Company be and is hereby authorized in terms of Section 199 and other applicable provisions of the Companies Act, 2017 to make additional long-term equity investment up to Rs. 900,000,000 (Rupees Nine Hundred Million Only) in Hyundai Nishat Motor (Pvt) Limited (**HNMPL**), an associated company, from time to time by way of subscribing up to 90,000,000 right shares, at Par value of Rs. 10/- each as and when offered by HNMPL to the Company on its shareholding, as per terms and conditions disclosed to the members.

RESOLVED FURTHER THAT this resolution shall be valid for a period of four (4) years starting from the date of approval by members and the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities including filing of documents as may be necessary or incidental expedient for the purpose of implementing the aforesaid resolutions.

RESOLVED FURTHER THAT the Company be and is hereby authorized to dispose of through any mode, a part or all of equity investment in HNMPL made by the Company from time to time and to dispose of and / or decline a part or all of its entitlement of right shares as and when offered by HNMPL and the Chief Executive Officer and / or Chief Financial Officer and / or Company Secretary be and are hereby authorized singly to take the decision of divestment and / or declining of right shares entitlement as they may deem appropriate and necessary in the best interest of the Company and its members.

A Statement of Material Facts as required under Section 134(3) of the Companies Act, 2017 is annexed to the notice of meeting circulated to the members of the Company.

By order of the Board

Lahore
September 13, 2022

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

NOTES:

BOOK CLOSURE NOTICE:-

The Ordinary Shares Transfer Books of the Company will remain closed from 15.10.2022 to 28.10.2022 **(both days inclusive)** for entitlement of **10% Final Cash Dividend [i.e. Re.1/- (Rupee One Only) Per Ordinary Share]** for the year ended June 30, 2022 and attending and voting at Annual General Meeting. Physical transfers/ CDS Transactions IDs received in order in all respects up to 1:00 p.m. on 14.10.2022 at the office of Share Registrar, THK Associates (Pvt) Limited, **Karachi Office**, Plot No.32-C, Jami Commercial Street No.2, DHA, Phase VII, Karachi, **Lahore Office**, THK Associates (Pvt) Ltd., Office No. 309, 3rd Floor, North Tower, LSE Building, 19-Shahrah-e-Aiwan-e-Iqbal, Lahore shall be considered in time for entitlement of above said 10% Final Cash Dividend and Election of Directors.

Proxies

A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting. The proxy shall produce his / her original valid CNIC or original passport at the time of meeting.

Shareholders are requested to immediately notify the Company of change in address, if any.

Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Deduction of Withholding Tax on Dividend

Pursuant to the provisions of the Finance Act, 2017 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- Filler 15%
- Non-Filler 30%

All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and may, if required, take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.

Deduction of Withholding Tax on Dividend in case of Joint Account Holders

All shareholders who hold shares jointly are requested to provide following information regarding shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar THK Associates (Pvt) Limited latest by October 18, 2022, otherwise each joint holder shall be assumed to have an equal number of shares.

Name of the Company		D. G. Khan Cement Company Limited
Folio No. / CDS A/C No.		
No. of Shares Held		
Principal Shareholder	Name & CNIC	
	Shareholding Proportion (No. of Shares)	
Joint Shareholder(s)	Name & CNIC	
	Shareholding Proportion (No. of Shares)	

Signature of Primary Shareholder_____________________________

EXEMPTION OF WITHOLDING TAX:-

Withholding tax exemption from dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar Office, THK Associates (Pvt) Limited up to October 18, 2022.

SUBMISSION OF COPY OF CNIC (MANDATORY):

Individuals including all joint holders holding physical share certificates are requested to submit a copy of their valid CNIC to the Company or the Company's Share Registrar. All shareholders are once again requested to send a copy of their valid CNIC to our Share Registrar THK Associates (Pvt) Limited. The Shareholders while sending CNIC must quote their respective folio numbers and name of the Company.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 issued by SECP and would be constrained under SECP's Order dated June 08, 2016 under Section 251(2) of the Companies Ordinance, 1984 to withhold the payment of dividend warrants to such shareholders which will be released on submission of valid copy of CNIC.

ZAKAT DECLRATION (CZ-50)

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Any shareholder who want to claim exemption shall submit your Zakat declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 on prescribed Form CZ-50, to our Share Registrar, M/s. THK Associates (Pvt) Limited **otherwise no exemption will be granted**. The Shareholders while sending the Zakat Declarations, as the case may be, must quote company name and their respective Folio Numbers/CDC Account Numbers.

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the following information to the Company's Share Registrar at the address given herein above. In the case of shares held in CDC, the same information should be provided directly to the CDS participants for updating and forwarding to the Company.

Folio No. / Investor Account Number / CDC Sub Account No.																								
Title of Account																								
IBAN Number																								
Bank Name																								
Branch																								
Branch Address																								
Mobile Number																								
Name of Network (if ported)																								
Email Address																								

Signature of Shareholder____________________________

Transmission of Annual Financial Statements through Email:

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.dgcement.com and send the form, duly signed by the shareholder, along with copy of his/her CNIC to the Company's Share Registrar M/s THK Associates (Pvt) Limited.

Circulation of Annual Reports through Digital Storage

Pursuant to the SECP's notification SRO 470(I) / 2016 dated 31st May, 2016 the Members of D. G. Khan Cement Company Limited in AGM held on 28th October 2017 had accorded their consent for transmission of annual reports including audited annual financial statements and other information contained therein of the Company through CD/DVD/USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send to the Company Secretary / Share registrar, the standard request form available on the Company's website and the Company will provide the aforesaid documents to the shareholders on demand, free of cost, within one week of such demand.

Unclaimed Dividend / Shares

Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any.

Video Conference Facility

In terms of the Companies Act, 2017, members residing in a city holding at least 10% of the total paid up share capital may demand the facility of video-link for participating in the annual general meeting. The request for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of the meeting on the Standard Form placed in the annual report which is also available on the website of the Company.

E-voting and Postal Ballot Facility

The shareholders will be allowed to exercise their right to vote through e-voting and postal ballot subject to Section 142 and 143 of the Companies Act, 2017 and Regulation 11 of the Companies (Postal Ballot) Regulations, 2018.

Video Link Facility for Meeting:-

In light of COVID-19 situation, the Securities and Exchange Commission of Pakistan ("SECP") has advised vide Circular No. 4 of 2021 dated 15 February, 2021 to provide participation of the members through electronic means. The members can attend the AGM via video link using smart phones/tablets/. To attend the meeting through video link, members and their proxies are requested to register themselves by providing the following information along with valid copy of Computerized National Identity Card (both sides)/passport, attested copy of board resolution / power of attorney (in case of corporate shareholders) through email at kchohan@dgcement.com or smahmood@dgcement.com by October 23, 2022.

Name of Member/ Proxyholder	CNIC No.	Folio No. / CDC Account No.	Cell No. Whatsapp No.	Email ID

Conversion of Physical Shares into Book Entry Form

As per Section 72 of the Companies Act, 2017 all existing companies are required to convert their physical shares into book-entry form within a period not exceeding four years from the date of commencement of the Companies Act, 2017. The Securities & Exchange Commission of Pakistan through its circular # CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised the listed companies to pursue their such members who still hold shares in physical form, to convert their shares into book-entry form.

We hereby request all members who are holding shares in physical form to convert their shares into book-entry form at the earliest. They are also suggested to contact the Central Depository Company of Pakistan Limited or any active member / stock broker of the Pakistan Stock Exchange to open an account in the Central Depository System and to facilitate conversion of physical shares into book-entry form. Members are informed that holding shares in book-entry form has several benefits including but not limited to Secure and convenient custody of shares, Conveniently tradeable and transferable, No risk of the loss, damage or theft, No stamp duty on transfer of shares in book-entry form and Hassle free credit of bonus or right shares.

We once again strongly advise members of the Company, in their best interest, to convert their physical shares into book-entry form at earliest.

STATEMENT OF MATERIAL FACTS UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

Pursuant to the requirements of Section 166(3) of the Companies Act, 2017, independent directors will be elected through the process of election of directors as laid down under Section 159 of the Companies Act, 2017.

The company shall exercise due diligence before selecting a person from the data bank that the contestant meets the independence criteria as mentioned in Section 166(2) of the Companies Act, 2017 and are competent and experienced.

The candidates are requested to read the relevant provisions/requirements relating to the appointment/election of directors, as mentioned in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 and ensure compliance with the same in letter and spirit.

The present directors are interested to the extent that they are eligible for re-election as Directors of the Company, subject to eligibility criteria.

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

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 28, 2022.

Additional Equity Investments in Hyundai Nishat Motor (Private) Limited

Hyundai Nishat Motor (Private) Limited (HNMPL) is a joint venture company which has set up a green field project for assembly and sales of Hyundai brand vehicles in Pakistan (the "Project"). The paid-up share capital of HNMPL is held by:

Nishat Mills Limited (12%)
DG Khan Cement Company Limited (10%)
Adamjee Insurance Company Limited (10%)
Security General Insurance Company Limited (12.14%)
Millat Tractors Limited (15.86%)
Sojitz Corporation (40%).

HNMPL intends to issue right shares amounting to Rs. 9 billion to meet working capital requirements and the Company will offer right shares for subscription at par value of Rs. 10 each. The Board of Directors has already approved the additional investment by way of subscription of right shares.

The already approved amount of equity investment of Rs. 1,056,400,000 (Rupees One Billion Fifty-six Million Four Hundred Thousand Only) in HNMPL shall increase to Rs. 1,956,400,000/- (Rupees One Billion Nine Fifty-Six Million Four Hundred Thousand Only).

The directors of the Company certify / undertake that the investment is being made after due diligence. The duly signed recommendation of the due diligence report and directors undertaking/certificate shall be made available to the members for inspection at the meeting.

HNMPL is not a member of the Company. Its sponsors/directors are directors/members of the Company. They have no interest except their directorship and to the extent of their shareholding in the Company which is as follows:

Name	% of Shareholding
Mian Raza Mansha	2.90
Mian Umer Mansha	6.23
Mian Hassan Mansha	6.14

Information Under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

<table>
<tr><td colspan="3">(a) Disclosure for all types of investments:</td></tr>
<tr><td colspan="3">(A) Disclosure regarding associated company</td></tr>
<tr><td>(i)</td><td>Name of Associated Company or Associated Undertaking</td><td>Hyundai Nishat Motor (Private) Limited ("HNMPL")</td></tr>
<tr><td>(ii)</td><td>Basis of Relationship</td><td>Common Directorship</td></tr>
<tr><td>(iii)</td><td>Earnings / (Loss) per Share for the last three years</td><td>
<table>
<tr><td>Year</td><td>EPS (Rs.)</td></tr>
<tr><td>2021</td><td>1.44</td></tr>
<tr><td>2020</td><td>(2.96)</td></tr>
<tr><td>2019</td><td>(1.18)</td></tr>
</table>
</td></tr>
<tr><td>(iv)</td><td>Break-up value per Share, based on last audited financial statements</td><td>PKR 8.22 per share as at 31 December 2021.</td></tr>
<tr><td>(v)</td><td>Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements</td><td>
Statement of Financial Position as on 31 December 2021:
<table>
<tr><td>Equity & Liabilities</td><td>Rs.</td><td>Assets</td><td>Rs.</td></tr>
<tr><td>Equity</td><td>7,800,970,467</td><td>Non-Current Assets</td><td>17,960,411,178</td></tr>
<tr><td>Non-Current Liabilities</td><td>11,574,830,100</td><td></td><td></td></tr>
<tr><td>Current Liabilities</td><td>19,638,636,240</td><td>Current Assets</td><td>21,054,025,629</td></tr>
<tr><td></td><td>39,014,436,807</td><td></td><td>39,014,436,807</td></tr>
</table>
Profit and loss account for the year ended 31 December 2021:
<table>
<tr><td></td><td>Rs.</td></tr>
<tr><td>Revenue</td><td>34,298,694,455</td></tr>
<tr><td>Expenses</td><td>(33,578,819,871)</td></tr>
<tr><td>Other Income</td><td>752,317,911</td></tr>
<tr><td>Profit / (Loss) before tax</td><td>1,472,192,495</td></tr>
<tr><td>Profit / (Loss) after tax</td><td>1,351,574,072</td></tr>
</table>
</td></tr>
<tr><td>(vi)</td><td>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely</td><td></td></tr>
</table>

<table>
<tr><td></td><td>I</td><td>Description of the project and its history since conceptualization</td><td>HNMPL is a joint venture company of Nishat Mills Limited ("Nishat"), DG Khan Cement Company Limited ("DGKCC"), Adamjee Insurance Company Limited ("AICL"), Security General Insurance Company Limited ("SGICL"), Millat Tractors Limited ("MTL") and Sojitz Corporation, Tokyo, Japan ("Sojitz") to establish a green field project for the assembly and sales of Hyundai brand vehicles in Pakistan. DGKCC executed a shareholder's agreement on 04th April, 2018 whereby the following shareholdings were decided amongst HNMPL shareholders as follows: Nishat (12%), DGKCC (10%), AICL (10%), SGICL (10%), MTL (18%) and Sojitz (40%) and HNMPL for the share subscription of HNMPL. Subsequently, the shareholding percentage of SGICL increased to 12.14% and MTL decreased to 15.86% while the shareholding percentage of other investors remained same. At present the subscribed equity stands at PKR 10,562.3 million.

HNMPL has been awarded with "Category-A Greenfield Investment Status" under the Automotive Development Policy 2016-21 by Ministry of Industries and Production, Government of Pakistan vide its Notification No. 2(55)2017-LED-II dated 21 June 2017. The ground-breaking ceremony of the project was held on 20 December 2017 and it became operational in January 2020.</td></tr>
<tr><td></td><td>II</td><td>Starting date and expected date of completion of work</td><td>The construction commenced in the 2nd Quarter of 2018. The Project became operational in January 2020.</td></tr>
<tr><td></td><td>III</td><td>Time by which such project shall become commercially operational</td><td>The project became operational in January 2020.</td></tr>
<tr><td></td><td>IV</td><td>Expected time by which the project shall start paying return on investment</td><td>By Financial Year 2025</td></tr>
<tr><td></td><td>V</td><td>Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts</td><td>DGKCC and its Associates, Sojitz Corporation Japan and Millat Tractors Limited have to date invested a combined PKR 10,562,300,000 upto August 31, 2022 as per below:
<table>
<tr><th>Shareholder</th><th>Issued Share Capital PKR</th></tr>
<tr><td>Nishat Mills Limited</td><td>1,267,476,000</td></tr>
<tr><td>DG Khan Cement Company Limited</td><td>1,056,230,000</td></tr>
<tr><td>Adamjee Insurance Company Limited</td><td>1,056,230,000</td></tr>
<tr><td>Security and General Insurance Company Ltd</td><td>1,282,020,990</td></tr>
<tr><td>Millat Tractors Limited</td><td>1,675,423,010</td></tr>
<tr><td>Sojitz Corporation Japan</td><td>4,224,920,000</td></tr>
<tr><td>Total Equity Injected till 31 Aug 2022</td><td>10,562,300,000</td></tr>
</table></td></tr>
<tr><td colspan="4">(B) General Disclosures:</td></tr>
<tr><td>(i)</td><td colspan="2">Maximum amount of investment to be made</td><td>PKR 900,000,000/- (Rupees Nine Hundred Million Only).</td></tr>
<tr><td>(ii)</td><td colspan="2">Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</td><td>Dividend Income and / or prospective capital gains.

The investment will be for a long term.</td></tr>
</table>

<table>
<tr><td>(iii)</td><td colspan="2">Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:</td><td>The investment will be made from DGKC's own funds.</td></tr>
<tr><td></td><td>(I)</td><td>Justification for investment through borrowings</td><td>N/A</td></tr>
<tr><td></td><td>(II)</td><td>Detail of Collateral, guarantees provided and assets pledged for obtaining such funds</td><td>N/A</td></tr>
<tr><td></td><td>(III)</td><td>Cost of benefit analysis</td><td>N/A</td></tr>
<tr><td>(iv)</td><td colspan="2">Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment</td><td>HNMPL will offer right shares based on existing percentage shareholding which is based on share subscription agreement with Nishat, AICL, SGICL, MTL, Sojitz and HNMPL. Shareholding is follows:

Nishat 12%, DGKCC 10%, AICL 10%, SGICL 12.14%, MTL 15.86%, Sojitz 40%</td></tr>
<tr><td>(iv)</td><td colspan="2">Direct or indirect interest of Directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration</td><td>The interest, direct or indirect in the associated company and the transaction under consideration is detailed as under:

The directors, sponsors and majority shareholders of D. G. Khan Cement Company Limited (DGKC) and their relatives holding shares of Nishat Hotels and Properties Limited (NHPL) are interested to the extent of their shareholding in NHPL as under:-

Directors: — % of Shareholding

Mian Raza Mansha (Common Director) — 0.00 (1 Share)

Relatives:
Mian Umer Mansha — 0.00 (1 Share)
Mian Hassan Mansha — 0.00 (1 Share)
Both brothers of Mian Raza Mansha.

Associated Companies
Nishat Mills Limited — 12.00%
Security General Insurance Company Ltd. — 12.14%

The directors of HNMPL are interested in DGKCC to the extent of their shareholding as under:-

Name: — % of Shareholding

Mian Raza Mansha — 2.92
Mian Umer Mansha — 6.29
Mian Hassan Mansha — 6.19</td></tr>
</table>

		The associated Companies holding shares of HNMPL are interested in DGKCC to the extent of their shareholding as follows: **Name:** — **% of Shareholding** Nishat Mills Limited — 31.40 Security General Insurance Co. Ltd. — 0.05
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	No indication of impairment or write off exists relating to equity investment already made.
(vii)	Any other important details necessary for the members to understand the transaction	None
Additional disclosure regarding equity investment		
(i)	Maximum price at which securities will be acquired	The price to be paid for the equity investment will be face value of Rs. 10/- per share.
(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not applicable as shares are being acquired at face value of Rs. 10 each.
(iii)	Maximum number of securities to be acquired	90,000,000 Shares
(iv)	Number of securities and percentage thereof held before and after the proposed investment	**No. of Shares** / **%age** Before 105,623,000 / 10.00 After 195,623,000 / 10.00
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities	N/A
(vi)	Fair value determined in terms of sub-regulation (1) regulation 5 for investments in unlisted securities.	An independent valuer has estimated a fair value of Rs. 25.15 per ordinary share as at June 30, 2022 through a valuation technique based on discounted cash flows.

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of Investee Company	Hyundai Nishat Motor (Pvt) Limited (HNMPL)	
Total Investment Approved:	Equity investment upto Rupees 850 million was approved in EOGM held on March 28, 2018 and further enhanced from PKR 850 million to PKR 1,056.400 million by the shareholders in their AGM held on October 28, 2019 for the period of 4 years.	Guarantee / continuing Stand by Letter(s) of Credit (SBLC) for an amount of up to PKR 1,000 Million for a tenure of 7.5years was approved by members in EOGM held on March 28, 2018 and further enhanced from PKR 1,000 million to PKR 1,277 million by the shareholders in their AGM held on October 28, 2019 for the period of 7.5 years.
Amount of Investment Made to date:	Investment of Rupees 1,056.230 million has been made against this approval to date.	Guarantee of Rs. 1,262.243 million provided by the Company to the lenders of Hyundai Nishat Motors (Pvt) Limited against this approval.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:	Partial investment has been made in investee company. Commercial operations of the investee company have not yet started. The Company will make further equity investment as and when further shares offered by HNMPL.	Partial guarantee has been extended after the approval. The Company will arrange issuance of further Guarantee /SBLC as and when requested by HNMPL within the approved time line and amount.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic loss per share was Rs.19.67 and breakup value per share was Rs. 4.85. As per latest audited financial statements for the year ended December 31, 2021 the basic earning per share is Rs. 1.44 and breakup value per share is Rs. 8.22.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic loss per share was Rs.19.67 and breakup value per share was Rs. 4.85. As per latest audited financial statements for the year ended December 31, 2021 the basic earning per share is Rs. 1.44 and breakup value per share is Rs. 8.22.

Form of Proxy

I /We ____

of ____

being a member of D.G Khan Cement Company Limited, hereby appoint ____________________

____

of ____

or failing him/her ____

of ____

member(s) of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 28, 2022 (Friday) at 11:00 A.M. at Emporium Mall, The Nishat Hotel, Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore.

as witness may hand this ____________ day of ______ 2022

Signed by the said member ____________________

in presence of ____________________

Please affix revenue stamp Rs. 50

Signature(s) of Member(s)

Signature of witness ....

Name ....

Address ....

....

CNIC # ....

Signature of witness ....

Name ....

Address ....

....

CNIC # ....

Please quote:

Folio No.	Shares held	CDC A/C. No.

Important: This instrument appointing a proxy, duly completed, must be received at the Registered Office of the Company at Nishat House, 53-A, Lawrence Road, Lahore not later than 48 hours before the time to holding the annual general meeting.

D.G. KHAN CEMENT
COMPANY LIMITED

AFFIX
CORRECT
POSTAGE

Nishat House, 53-A, Lawrence Road,
Lahore-Pakistan.
UAN:+92-42-111-11-33-33

پراکسی فارم

میں/ہم مسمی/مسماۃ------------------------------ساکن------------------------------ضلع------------------------------

بحیثیت ممبر کمپنی، مسمی/مسماۃ------------------------------ساکن------------------------------کمپنی ممبر یا اُسکی عدم موجودگی کی صورت میں

مسمی/مسماۃ------------------------------ساکن------------------------------کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا/ کرتی ہوں تاکہ وہ میری/ہماری جگہ

اور میری/ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ ۲۸ اکتوبر ۲۰۲۲ء بوقت صبح 11:00 بجے امپوریم مال، دی نشاط ہوٹل، ٹریڈ اینڈ فنانس سنٹر بلاک، نزد ایکسپو سنٹر، عبدالحق روڈ، جوہر

ٹاؤن، لاہور میں منعقد ہو رہا ہے میں بول سکے اور ووٹ ڈال سکے۔

دستخط بتاریخ------------ دن---------- 2022ء

پچاس روپے کی ریونیو سٹمپ
چسپاں کریں

گواہ کوائف

دستخط:------------------------

نام:------------------------

پتہ:------------------------

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:----------

گواہ کوائف

دستخط:------------------------

نام:------------------------

پتہ:------------------------

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:----------

فولیو نمبر:----------------------

سی ڈی سی کھاتہ نمبر:----------------

حصص کی تعداد:----------------

دستخط:----------------------------

(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہئیں)

اہم:

پراکسی فارم، کمپنی کے رجسٹرڈ آفس، نشاط ہاؤس، 53-A، لارنس روڈ، لاہور، میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل جمع کرانا لازمی ہے۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔

D.G. KHAN CEMENT COMPANY LIMITED

AFFIX CORRECT POSTAGE

Nishat House, 53-A, Lawrence Road,
Lahore-Pakistan.
UAN:+92-42-111-11-33-33

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