



3rd Quarter Report,  
March 31,

2019  
(Un-audited)



NISHAT



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## Company Information

<b>Board of Directors</b>	Mrs. Naz Mansha Mr. Raza Mansha Mr. Khalid Niaz Khawaja Mr. Mohammad Arif Hameed Mr. Mahmood Akhtar Mr. Farid Noor Ali Fazal Mr. Shahzad Ahmad Malik	Chairperson Chief Executive
<b>Audit Committee</b>	Mr. Khalid Niaz Khawaja Mr. Mahmood Akhtar Mr. Mohammad Arif Hameed	Member/Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mr. Khalid Niaz Khawaja Mr. Raza Mansha Mr. Mahmood Akhtar	Member/Chairman Member Member
<b>Company Secretary</b>	Mr. Khalid Mahmood Chohan	
<b>Management</b>	Mr. Raza Mansha Mr. Aftab Ahmad Khan Dr. Arif Bashir Mr. Farid Noor Ali Fazal Mr. Inayat Ullah Niazi	Chief Executive Officer Director Finance Director Technical & Operations Director Marketing Chief Financial Officer
<b>Local Bankers</b>	Allied Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Bank Islami Pakistan Limited Dubai Islamic Bank Faysal Bank Limited Habib Bank Limited Limited Habib Metropolitan Bank Industrial and Commercial Bank of China MCB Bank Limited	MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Samba Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Khyber The Bank of Punjab United Bank Limited
<b>External Auditors</b>	A.F. Ferguson & Co., Chartered Accountants	
<b>Legal Advisors</b>	Mr. Shahid Hamid, Bar-at-Law	
<b>CUIN</b>	0006469	
<b>NTN</b>	1213275-6	
<b>STRN</b>	0402252300164	
<b>Symbol</b>	DGKC	

## Contact Us

### Registered Office

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Email: info@dgcement.com  
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### Factories

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Email: dgsite@dgcement.com

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Khairpur, Tehsil Kallar Kahar,  
Distt. Chakwal-Pakistan  
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Distt. Lasbela, Pakistan  
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### Share Registrar

THK Associates (Pvt) Ltd  
Head Office, Karachi  
1<sup>st</sup> Floor, 40-C, Block-6,  
P.E.C.H.S., Karachi.  
Tel: (021) 111 000 322  
Fax: (021) 34168271

Branch Office, Lahore  
DYL Motorcycles Ltd. Office,  
147-Q Block, Behind Emporium Mall,  
Johar Town, Lahore  
Cell: 0303-4444795, 0323-8999514

### For Investors' Information, Comments, Inquiries, Complaints:

Mr. Inayat Ullah Niazi  
Chief Financial Officer  
E-mail: iniazi@dgcement.com  
Phone: 0092 42 111 11 33 33

Mr. Khalid Mehmood Chohan  
Company Secretary  
E-mail: kchohan@dgcement.com  
Phone: 0092 42 111 11 33 33

## Directors' Report

The directors of your Company are pleased to present you the results of nine months of FY19:

*PKR in thousands*

	<b>NMFY19</b>	<b>NMFY18</b>
Sales	30,375,649	23,375,208
Cost of sales	(25,410,359)	(16,205,907)
Gross profit	4,965,290	7,169,301
Administrative expenses	(488,513)	(455,124)
Selling and distribution expenses	(1,006,663)	(691,209)
Other operating expenses	(525,455)	(656,266)
Other income	1,717,598	1,638,931
Finance cost	(2,259,914)	(318,025)
Profit before taxation	2,402,343	6,687,608
Taxation	222,457	(1,717,779)
Profit after taxation	2,624,800	4,969,829
EPS	5.99	11.34

Production and Sales volumetric data is as under:

*Figures in MT*

	<b>NMFY19</b>	<b>NMFY18</b>
Clinker Production	4,749,815	3,227,719
Cement Production	4,093,840	3,658,872
Cement -Total Sales	4,047,565	3,692,466
Cement Local Sales (Excluding own consumption)	3,818,946	3,312,951
Cement Exports Sales	228,619	379,515
Clinker Exports	543,491	-

Volumetric Change in % with respect to comparative previous periods:

	<b>NMFY19</b>	<b>NMFY18</b>
Clinker Production	47	1
Cement Production	12	7
Cement -Total Sales	10	9
Cement Local Sales (Excluding own consumption)	15	12
Cement Exports Sales	(40)	(14)
Clinker Exports	100	-

Key Margins Indicators:

	<b>NMFY19</b>	<b>NMFY18</b>
GP margin (%)	16	31
PBT margin (%)	8	29

The Company's gross margin for nine months declined by 31% and Q3 gross margin reduced by 7% when compared with same periods of last year. For nine months sales increased by 30% but the cost of

sales jumped by 57%. Company's average net retention per ton though increased as compared to previous year's nine months but the cost escalation exceeded to eclipse the margins. Cost of sales that seized 69% of net sales last year, took 84% this year. Net sales on overall basis increased by 30% in value but volumetric increase is about 15% in local cement sales despite with 67% new capacity addition while clinker exports are not bountiful. This happened to be one of main causes for declining margins besides increase in cost of sales due to coal price hikes, soaring energy rates, depreciating rupee and inflationary pressures. Overall economic slow-down has the primary effect on Industry's and Company's earnings.

Rising interest rates, loans against new plant addition and import based facilities have increased finance cost. The credit tax figure pertains to deferred tax as there is no current tax for the period as tax liability is offset by investment credit.

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

	North			South			Aggregate		
	Local	Exports	Total	Local	Exports	Total	Local	Exports	Total
<b>NM FY19</b>	(10)	(18)	(11)	15	210	46	(6)	49	(0.48)

Industry's utilization (in percentages) status:

	North			South			Aggregate		
	Local	Exports	Total	Local	Exports	Total	Local	Exports	Total
<b>NM FY19</b>	75	6	82	60	30	90	71	12	84

Industry numbers for growth are not encouraging for running financial year yet. North section reported negative year on year growth. South zone made positive growth and diluted the negative impact of Country's Industry on overall basis. Swelled exports of south zone mainly comprised of clinker that is a less value-added commodity than cement. Despite capacity expansions in this year, industry witnessed 6% decline in local sales.

For near future cement sales may remain subdued due to overall economic slow-down while inflationary pressure, high interest rate, currency vulnerability and prevalent uncertainty to keep casting a spell of low margins. However, there is hope that macro-economic factors may be controlled by early next fiscal year. Profitability of Company to remain dependent on volumetric growth in cement sales and selling price where volumes are less likely to improve in near future and price is vulnerable to market forces. The market is experiencing multiple factors that may destabilise the price of commodity and those include low demand due to overall economic sluggishness, expansions and rising cost of business. Despite narrated factors that are acting negatively it is hoped that prices to remain range bound. Coal prices dipped and its benefits could be effectively reaped if cement prices adhere a decent level.

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

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

Following are the directors of the Company:

Mrs. Naz Mansha (Chairperson)	Non- Executive
Mr. Raza Mansha	Executive
Mr. Khalid Niaz Khawaja	Independent
Mr. Mohammad Arif Hameed	Non-Executive
Mr. Khalid Qadeer Qureshi	Non-Executive (Deceased on February 24, 2019)
Mr. Mehmood Akhtar	Non- Executive (Appointed on March 05, 2019 to fill the casual vacancy)
Mr. Farid Noor Ali Fazal	Executive
Mr. Shahzad Ahmad Malik	Non-Executive

Female Directors:	01
Male Directors:	06

**Audit Committee**

Mr. Khalid Niaz Khawaja	Chairman
Mr. Mohammad Arif Hameed	Member
Mr. Khalid Qadeer Qureshi	Non-Executive (Deceased on February 24, 2019)
Mr. Mehmood Akhtar	Non- Executive (Appointed on March 05, 2019 to fill the casual vacancy)

**Human Resource & Remuneration Committee**

Mr. Khalid Niaz Khawaja	Chairman
Mr. Raza Mansha	Member
Mr. Khalid Qadeer Qureshi	Non-Executive (Deceased on February 24, 2019)
Mr. Mehmood Akhtar	Non- Executive (Appointed on March 05, 2019 to fill the casual vacancy)

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

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

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

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

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

For and on behalf of the Board



**Raza Mansha**  
Chief Executive Officer



**Farid Noor Ali Fazal**  
Director

Lahore  
April 24, 2019

مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:

نان ایگزیکٹو	مختصر مازنشا (چیئر پرسن)
ایگزیکٹو	جناب رضامنشا
آزاد	جناب خالد نیاز خواجہ
نان ایگزیکٹو	جناب محمد عارف حمید
نان ایگزیکٹو (24 فروری 2019 کو وفات پا گئے)	جناب خالد قدیر قریشی
نان ایگزیکٹو (خالی آسامی پُر کرنے کے لئے 05 مارچ 2019 کو مقرر کئے گئے)	جناب محمود اختر
ایگزیکٹو	جناب فرید زور علی فضل
نان ایگزیکٹو	جناب شہزاد احمد ملک
01	خاتون ڈائریکٹرز:
06	مرد ڈائریکٹرز:

چیئر مین	آڈٹ کمیٹی
رکن	جناب خالد نیاز خواجہ
نان ایگزیکٹو (24 فروری 2019 کو وفات پا گئے)	جناب محمد عارف حمید
نان ایگزیکٹو (خالی آسامی پُر کرنے کے لئے 05 مارچ 2019 کو مقرر کئے گئے)	جناب خالد قدیر قریشی
	جناب محمود اختر

چیئر مین	ہیومن ریسورس اینڈ ریمزیشن کمیٹی
رکن	جناب خالد نیاز خواجہ
نان ایگزیکٹو (24 فروری 2019 کو وفات پا گئے)	جناب رضامنشا
نان ایگزیکٹو (خالی آسامی پُر کرنے کے لئے 05 مارچ 2019 کو مقرر کئے گئے)	جناب خالد قدیر قریشی
	جناب محمود اختر

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

کمپنی پلاس کی ذیلی کمپنیوں یا کسی دیگر کمپنی جس میں کمپنی دلچسپی رکھتی ہے کے کاروبار کی نوعیت سے متعلقہ کوئی تبدیلیاں نہیں ہیں جو زیر جائزہ مدت کے دوران رونما ہوئی ہوں۔ آپ کی کمپنی کے ڈائریکٹرز بیان کرتے ہیں کہ داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسکی مؤثر طریقہ سے عملدرآمد اور نگرانی کی جاتی ہے۔ کمپنی کے آپریشنز نتائج میں گزشتہ مدت سے اہم تغیرات ڈائریکٹرز رپورٹ کے دیگر حصوں میں اجاگر کئے گئے ہیں اور جو بات بیان کی گئی ہیں۔

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

منجانب بورڈ

David Jagan

فرید زور علی فضل  
ڈائریکٹر

Rashid

رضامنشا

چیف ایگزیکٹو آفیسر

لاہور

24 اپریل 2019ء



مارجن کے کلیدی اشارے:

NMFY18	NMFY19	
31	16	GP مارجن (%)
29	8	PBT مارجن (%)

نوماہی کے لئے کمپنی کا مجموعی مارجن 31% تک کم ہو گیا اور گزشتہ سال کی اسی مدت کے موازنہ میں Q3 کا مجموعی مارجن 7% تک کم ہو گیا۔ گزشتہ سال کی نوماہی کے موازنہ میں فروخت 30% تک بڑھ گئی لیکن قیمت فروخت 57% تک بڑھ گئی۔ کمپنی کی اوسط خالص ریٹینشن فی ٹن گزشتہ سال کی نوماہی کے موازنہ میں بڑھ گئی لیکن لاگت میں نسبتاً زیادہ اضافہ مارجن کی کمی کا سبب بنا۔ قیمت فروخت جو گزشتہ سال خالص فروخت کی 69% تھی اس سال 84% ہو گئی۔ مجموعی بنیاد پر خالص فروخت ویلیو میں 30% سے بڑھی لیکن 67% نئی کپسٹی ایڈیشن کے باوجود مقامی سینٹ فروخت میں کمی لحاظ سے اضافہ تقریباً 15% رہا جبکہ کلنگر برآمدات زیادہ منافع بخش نہیں ہیں۔ کولڈ کی قیمت میں اضافہ، بجلی کی قیمت میں بڑھتی ہوئی شرحوں، روپیہ کی قدر میں کمی اور افراط زر کے دباؤ کی وجہ سے قیمت فروخت میں اضافہ ہوا جو کہ مارجنز کی کمی کا سبب بنا۔ مجموعی طور پر اقتصادی سست روی نے بھی صنعت کی اور کمپنی کی آمدن کو متاثر کیا ہے۔

بڑھتی ہوئی سود کی شرحوں، نئے پلانٹ ایڈیشن کے لئے قرضوں، اور درآمد پر یعنی سہولیات کی بدولت مالی اخراجات میں اضافہ ہوا۔ کیریڈ ٹیکس کے اعداد و شمار زیر التوا ٹیکس سے متعلق ہیں کیونکہ اس مدت کے لئے کوئی کرنٹ ٹیکس نہیں ہے کیونکہ اس مدت کے کرنٹ ٹیکس کو سرمایہ کاری کیریڈٹ نے ختم کر دیا ہے۔

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

مجموعی			جنوبی			شمالی			
کل	برآمد	مقامی	کل	برآمد	مقامی	کل	برآمد	مقامی	
(0.48)	49	(6)	46	210	15	(11)	(18)	(10)	<b>NMFY19</b>

صنعت کی مستعمل پیداواری (فیصد میں) حیثیت:

مجموعی			جنوبی			شمالی			
کل	برآمد	مقامی	کل	برآمد	مقامی	کل	برآمد	مقامی	
84	12	71	90	30	60	82	6	75	<b>NMFY19</b>

نمو کے لئے انڈسٹری کے اعداد بھی تک رواں مالی سال کے لئے حوصلہ افزا نہیں ہیں۔ شمالی سیکشن کی شرح نمو منفی رہی جبکہ جنوبی زون کی مثبت شرح نمو کی وجہ سے مجموعی صورت حال کی تکلیفی کم ہوئی۔ جنوبی زون سے برآمدی نمومیں اس اضافہ کے پیچھے کلنگر برآمدات بنیادی عنصر ہے جو سینٹ کے مقابلے میں کم قیمت شے ہے۔ اس سال پیداواری صلاحیت و استعداد میں توسیع کے باوجود صنعت کی مقامی فروخت میں 6 فیصد کمی ہوئی ہے۔

مستقبل قریب میں سینٹ کی فروخت مجموعی اقتصادی سست روی کی وجہ سے کم ہو سکتی ہے جبکہ افراط زر کے دباؤ، سود کی بڑھی شرح، بجلی کرنسی کی قدر میں کمی اور غیر یقینی کی صورت حال مارجن کے کم ہونے کا سبب بن سکتے ہیں۔ تاہم، امید ہے کہ اگلے مالی سال کے آغاز تک میکرو اقتصادی عوامل کو کنٹرول کر لیا جائے گا۔ کمپنی کا منافع سینٹ فروخت اور فروخت کی قیمت پر منحصر ہے جہاں مستقبل قریب میں حجم میں بہتری کے امکانات کم ہیں اور قیمت کو مارکیٹ قوتوں کے منفی اثرات کا خطرہ ہے۔ مارکیٹ متعدد عوامل کا سامنا کر رہی ہے جو سینٹ کی قیمتوں کو غیر مستحکم کر سکتے ہیں اور اس میں مجموعی اقتصادی مشکلات کے باعث کم طلب، صنعتی پیداواری صلاحیت میں اضافہ اور کاروباری اخراجات میں اضافہ شامل ہے۔ بیان کردہ عوامل جو منفی اثرات ڈال رہے ہیں ان کے باوجود ہمیں امید ہے کہ قیمتیں ایک حد تک محدود رہیں گی۔ اگر سینٹ کی قیمتیں معقول سطح پر رہیں تو کولڈ کی قیمتوں میں کمی کی وجہ سے ہونے والے فوائد موثر طریقے سے حاصل کئے جاسکتے ہیں۔

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

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

## حصص داران کیلئے ڈائریکٹرز کی رپورٹ

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

پاکستانی روپے ہزاروں میں

نو ماہی مالی سال 2018	نو ماہی مالی سال 2019	
23,375,208	30,375,649	فروخت
(16,205,907)	(25,410,359)	قیمت فروخت
7,169,301	4,965,290	مجموعی منافع
(455,124)	(488,513)	انتظامی اخراجات
(691,209)	(1,006,663)	فروخت اور تقسیم کے اخراجات
(656,266)	(525,455)	دیگر معاملاتی اخراجات
1,638,931	1,717,598	دیگر آمدنی
(318,025)	(2,259,914)	مالی لاگت
6,687,608	2,402,343	ٹیکسیشن سے قبل منافع
(1,717,779)	222,457	ٹیکسیشن
4,969,829	2,624,800	ٹیکسیشن کے بعد منافع
11.34	5.99	فی شیئر آمدنی

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

اعداد و شمار میٹرک ٹن میں

نو ماہی مالی سال 2018	نو ماہی مالی سال 2019	
3,227,719	4,749,815	کلنر کی پیداوار
3,658,872	4,093,840	سیمنٹ کی پیداوار
3,692,466	4,047,565	سیمنٹ کی کل فروخت
3,312,951	3,818,946	سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)
379,515	228,619	سیمنٹ کی برآمد فروخت
-	543,491	کلنر کی برآمد

گزشتہ مدتوں کے تقابلی لحاظ سے فیصد میں حجمی تبدیلی

نو ماہی مالی سال 2018	نو ماہی مالی سال 2019	
1	47	کلنر کی پیداوار
7	12	سیمنٹ کی پیداوار
9	10	سیمنٹ کی کل فروخت
12	15	سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)
(14)	(40)	سیمنٹ کی برآمد فروخت
-	100	کلنر کی برآمد

## Unconsolidated Condensed Interim Statement of Financial Position

	Note	31 March, 2019 Un-Audited (Rupees in thousand)	30 June, 2018 Audited
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised share capital			
- 950,000,000 (June 30, 2018: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2018: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital			
438,119,118 (June 30, 2018: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		32,771,878	34,761,625
Accumulated profit		38,754,392	37,991,605
		<u>75,907,461</u>	<u>77,134,421</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	17,249,955	17,730,324
Long term deposits		214,517	109,726
Retirement and other benefits		328,313	278,379
Deferred taxation		3,523,863	4,082,974
		<u>21,316,648</u>	<u>22,201,403</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		7,538,131	7,595,299
Short term borrowings - secured		17,901,621	12,209,667
Current portion of non-current liabilities		4,218,280	2,336,910
Accrued finance cost		716,719	347,880
Unclaimed dividend		35,658	28,347
Provision for taxation		35,090	35,090
		<u>30,445,499</u>	<u>22,553,193</u>
<b>Contingencies and Commitments</b>	7	<u>127,669,608</u>	<u>121,889,017</u>

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



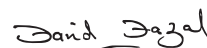
Chief Executive

## As At March 31, 2019 (Un-audited)

		<b>31 March, 2019</b>	<b>30 June, 2018</b>
	Note	<b>Un-Audited</b>	<b>Audited</b>
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	77,579,433	76,493,984
Investments	9	14,120,351	16,259,564
Long term loans to employees		574	574
Long term loans, advances and deposits		60,923	59,269
		<u>91,761,281</u>	<u>92,813,391</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		8,131,372	5,114,227
Stock-in-trade		3,640,346	1,377,596
Trade debts		1,624,734	188,293
Investments	9	15,918,617	16,018,594
Advances, deposits, prepayments and other receivables		2,041,342	2,637,675
Loan to related party	10	1,000,000	1,000,000
Income tax receivable		2,768,182	2,270,137
Cash and bank balances		783,734	469,104
		<u>35,908,327</u>	<u>29,075,626</u>
		<u>127,669,608</u>	<u>121,889,017</u>



Chief Financial Officer



Director

## Unconsolidated Condensed Interim Statement of Profit or Loss

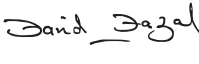
For the Quarter and Nine Months Ended March 31, 2019 (Un-audited)

	Note	2019		2018	
		July to March	January to March	July to March	January to March
		(Rupees in thousand)		(Rupees in thousand)	
<b>Sales</b>		30,375,649	10,608,444	23,375,208	7,611,538
Cost of sales	11	(25,410,359)	(8,827,938)	(16,205,907)	(5,692,157)
<b>Gross profit</b>		4,965,290	1,780,506	7,169,301	1,919,381
Administrative expenses		(488,513)	(176,557)	(455,124)	(159,205)
Selling and distribution expenses		(1,006,663)	(358,370)	(691,209)	(231,044)
Other operating expenses	9.1	(525,455)	(94,275)	(656,266)	(186,738)
Other income		1,717,598	572,967	1,638,931	446,086
<b>Profit from operations</b>		4,662,257	1,724,271	7,005,633	1,788,480
Finance cost		(2,259,914)	(911,766)	(318,025)	(125,381)
<b>Profit before taxation</b>		2,402,343	812,505	6,687,608	1,663,099
Taxation		222,457	70,506	(1,717,779)	(427,125)
<b>Profit after taxation</b>		2,624,800	883,011	4,969,829	1,235,974
<b>Earnings per share</b>					
<b>(basic and diluted)</b>	Rupees	5.99	2.02	11.34	2.82

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

  
Chief Executive

  
Chief Financial Officer

  
Director

## Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Nine Months Ended March 31, 2019 (Un-audited)

	2019		2018	
	July to March (Rupees in thousand)	January to March (Rupees in thousand)	July to March (Rupees in thousand)	January to March (Rupees in thousand)
<b>Profit for the taxation</b>	2,624,800	883,011	4,969,829	1,235,974
<b>Other comprehensive income</b>				
<b>for the period</b>				
<b>Items that may be re-classified</b>				
<b>subsequently to profit or loss</b>				
Change in value of available-for-sale investments	(2,326,401)	544,636	760,102	1,298,692
Tax effect of change in fair value of available-for-sale investments	336,654	-	-	-
	(1,989,747)	544,636	760,102	1,298,692
<b>Items that will not be subsequently</b>				
<b>re-classified to profit or loss</b>	-	-	-	-
<b>Other comprehensive income</b>				
<b>for the period</b>	(1,989,747)	544,636	760,102	1,298,692
<b>Total comprehensive (loss) /income</b>				
<b>for the period</b>	635,053	1,427,647	5,729,931	2,534,666

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



Chief Executive



Chief Financial Officer



Director

## Unconsolidated Condensed Interim Cash Flow Statement

For the Nine Months ended March 31, 2019 (Un-audited)

	Note	2019 July to March (Rupees in thousand)	2018 July to March
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	(128,456)	7,132,061
Finance cost paid		(1,891,075)	(220,079)
Retirement and other benefits paid		(11,434)	(38,876)
Taxes paid		(498,045)	(880,389)
Payment to subsidiary against tax losses		-	(15,000)
Long term deposits - net		104,791	10,435
Net cash generated from operating activities		<u>(2,424,219)</u>	<u>5,988,152</u>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(3,691,558)	(11,482,315)
Proceeds from sale of property, plant and equipment		33,431	16,254
Investments made - net		(250,000)	(140,049)
Long term loans, advances and deposits - net		(1,654)	(979)
Interest received		76,684	59,465
Dividend received		1,441,049	1,494,565
Net cash used in investing activities		<u>(2,392,048)</u>	<u>(10,053,059)</u>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(1,299,000)	(541,667)
Disbursement of loans		2,700,000	7,290,510
Settlement of derivative financial instrument		-	(35,077)
Dividend paid		(1,854,702)	(3,285,893)
Net cash used in financing activities		<u>(453,702)</u>	<u>3,427,873</u>
<b>Net (decrease) in cash and cash equivalents</b>		<u>(5,269,969)</u>	<u>(637,034)</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>(11,740,563)</u>	<u>(8,149,348)</u>
Exchange loss on cash and cash equivalents		(107,355)	(128,669)
<b>Cash and cash equivalents at the end of the period</b>	14	<u>(17,117,887)</u>	<u>(8,915,051)</u>

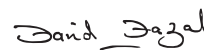
The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

# Unconsolidated Condensed Interim Statement of Changes In Equity

## For the Nine Months ended March 31, 2019 (Un-audited)

	Capital reserve			Revenue reserve			Total
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated Profit	
<b>Balance as at June 30, 2018 - Audited</b>	4,381,191	4,557,163	24,779,125	353,510	5,071,827	37,991,605	77,134,421
<b>Total comprehensive income for the period</b>							
- Profit for the period	-	-	-	-	-	2,624,800	2,624,800
- Other comprehensive income for the period	-	-	(1,989,747)	-	-	-	(1,989,747)
<b>Total contributions by and distributions to owners of the Company recognized directly in equity</b>						2,624,800	635,053
- Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)	-	-	-	-	-	(1,862,013)	(1,862,013)
<b>Balance as at March 31, 2019- Unaudited</b>	4,381,191	4,557,163	22,789,378	353,510	5,071,827	38,754,392	75,907,461
<b>Balance as at June 30, 2017 - Audited</b>	4,381,191	4,557,163	28,031,837	353,510	5,071,827	32,473,351	74,868,879
<b>Total comprehensive income for the period</b>							
- Profit for the period	-	-	-	-	-	4,969,829	4,969,829
- Other comprehensive income for the period	-	-	760,102	-	-	-	760,102
<b>Total contributions by and distributions to owners of the Company recognized directly in equity</b>						4,969,829	5,729,931
- Final dividend for the year ended June 30, 2017 (Rs 7.5 per share)	-	-	-	-	-	(3,285,893)	(3,285,893)
<b>Balance as at March 31, 2018- Unaudited</b>	4,381,191	4,557,163	28,791,939	353,510	5,071,827	34,157,287	77,312,917

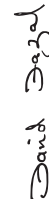
The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



Director



# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information For the Quarter and Nine Months Ended March 31, 2019 (Un-audited)

## 1. Status and nature of business

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

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

## 2. Basis of preparation

### 2.1 Statement of compliance

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

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

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

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

This condensed interim financial information does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2018. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Company's financial position and performance since the last annual financial statements.

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

## 3. Significant accounting policies

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information, except for IFRS 15, 'Revenue from Contracts with Customers'. The impact of the adoption of this standard and new accounting policy is disclosed in note 3.4 below.

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

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

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

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

	<b>Effective date (accounting periods beginning on or after)</b>
<b>Other standards or interpretations</b>	
IIFRS 16 'Leases'	January 01, 2019
IFRIC 23 'Uncertainty over income tax treatments'	January 01, 2019

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

### 3.4 New accounting policy and impact thereof

#### 3.4.1 IFRS 15, 'Revenue from Contracts with Customers'

##### **New accounting policy**

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

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

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

##### **Impact of adoption**

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

## 4. Change in accounting estimate

During the period, the Company carried out a comprehensive review of the remaining useful lives of the Company's operating fixed assets and as a result of such review, management identified that plant and machinery, factory buildings and quarry equipment require an upward revision whereas furniture and fittings and office equipment require a downward revision in their useful lives. Hence, the remaining

useful lives of plant and machinery, factory buildings and quarry equipment have been increased while useful lives of furniture and fittings and office equipment have been decreased. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit before tax for the nine month ended March 31, 2019 would have been lower by Rs 1,481.810 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, future profits before tax would decrease by Rs 1,481.810 million.

## 5. Taxation

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Company for the year ended June 30, 2018 except for the change in accounting estimate disclosed in note 4.1.

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>Audited</b>
	<b>(Rupees in thousand)</b>	

## 6. Long term finances

Long term loans	- note 6.1	21,441,471	20,040,471
Less: Current portion shown under current liabilities		4,191,516	2,310,147
		<u>17,249,955</u>	<u>17,730,324</u>

### 6.1 Long term finances

Opening balance		20,040,471	13,020,000
Add:			
Proceeds of borrowing		2,700,000	7,853,805
Exchange loss during the period		-	-
		<u>22,740,471</u>	<u>20,873,805</u>
Less:			
Repayment during the period		1,299,000	833,334
Closing balance		<u>21,441,471</u>	<u>20,040,471</u>

## 7. Contingencies and commitments

### 7.1 Contingencies

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

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

## 7.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 352.680 million (June 30, 2018: Rs 224.277 million)
- (ii) Letters of credits for capital expenditure Rs 2,280.783 million (June 30, 2018: Rs 235.266 million)
- (iii) Letters of credit other than capital expenditure Rs 1,536.579 million (June 30, 2018: Rs 3,091.684 million)
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>Audited</b>
	<b>(Rupees in thousand)</b>	
Not later than one year	425	331
Later than one year and not later than five years	1,699	1,325
Later than five years	5,228	4,307
	<u>7,352</u>	<u>5,963</u>
<b>8. Property, plant and equipment</b>		
Operating assets	- note 8.1	71,714,150
Capital work-in-progress	- note 8.2	5,509,979
Major spare parts and stand-by equipment		355,304
		<u>77,579,433</u>
		<u>76,493,984</u>
<b>8.1 Operating fixed assets</b>		
Opening book value	73,434,283	30,987,739
Add: Additions during the period	- note 8.1.1	885,976
Less:		
-Disposals during the period - at book value	- note 8.1.2	18,933
-Impairment charged for the period/year		-
-Depreciation charged during the period/year		2,587,176
		2,606,109
Closing book value	<u>71,714,150</u>	<u>73,434,283</u>
<b>8.1.1 Additions during the period</b>		
Freehold land	18,753	175,361
Buildings on freehold land :		
- Factory buildings	-	12,251,170
- Office building and housing colony	7,408	1,411,901
Roads	3,052	827,897
Plant and machinery	206,186	26,516,470
Quarry equipment	326,084	1,876,865
Furniture, fixtures	68,688	121,632
Office equipment	42,979	60,262
Motor vehicles	210,100	142,727
Power and water supply lines	2,726	2,849,253
	<u>885,976</u>	<u>46,233,538</u>

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>Audited</b>
<b>(Rupees in thousand)</b>		

### 8.1.2 Disposals during the period

Factory buildings	-	172,634
Roads	-	8,211
Motor vehicles	18,933	25,249
Power and water supply lines	-	6,531
	<u>18,933</u>	<u>212,625</u>

### 8.2 Capital work-in-progress

Civil works	897,020	226,299
Plant and machinery	570,712	756,743
Advances for capital expenditure	38,744	8,954
Expansion project:		
- Civil works	1,703,526	496,086
- Plant and machinery	1,534,798	304,763
- Advances to suppliers and contractors	636,890	1,175,090
- Others	128,289	-
	<u>4,003,503</u>	<u>1,975,939</u>
	<u>5,509,979</u>	<u>2,967,935</u>

### 9. Investments

Carrying value of investments at the beginning of the period / year	32,278,158	35,608,138
Investments made during the period / year		
- Related parties	250,000	290,049
	250,000	290,049
Fair value gain / loss during the period / year on:		
- Available for sale investments	(2,326,400)	(3,620,029)
- Impairment loss on equity instrument of subsidiary - note 9.1	(162,790)	-
	<u>(2,489,190)</u>	<u>(3,620,029)</u>
Carrying value at the end of the period / year	30,038,968	32,278,158
Investments classified in current assets	(15,918,617)	(16,018,594)
Closing balance	<u>14,120,351</u>	<u>16,259,564</u>

#### 9.1 Impairment loss on equity instruments of subsidiary

The Company reviewed the carrying amount of its investment in equity instruments of Nishat Dairy (Private) Limited and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. As a result of carrying out the aforementioned

assessment, the recoverable amount of the investment was determined to be lower than its carrying amount by Rs 0.60 per share and the carrying amount was accordingly reduced by Rs 162.790 million which has been recognised as an expense and included in 'Other expenses'.

## 10. Loan to related party

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

2019		2018	
July to March	January to March	July to March	January to March
(Rupees in thousand)			

## 11. Cost of sales

Raw and packing materials consumed	2,882,319	1,035,286	1,976,910	748,879
Salaries, wages and other benefits	2,415,673	831,412	1,562,713	515,420
Electricity and gas	3,659,272	1,335,468	1,661,477	630,056
Furnace oil and coal	12,470,810	4,536,366	6,878,532	2,406,034
Stores and spares consumed	2,320,397	762,473	1,389,117	538,755
Repair and maintenance	351,733	22,500	241,846	78,213
Insurance	63,911	19,351	41,092	13,280
Depreciation on property, plant and equipment	2,532,302	852,028	1,473,426	495,148
Royalty	540,947	189,577	254,433	85,437
Excise duty	36,414	12,692	24,321	8,196
Vehicle running expenses	65,479	28,981	23,640	9,546
Postage, telephone and telegram	8,144	3,239	3,936	1,452
Printing and stationery	17,552	9,156	8,720	2,125
Legal and professional charges	4,301	1,374	1,478	259
Travelling and conveyance	9,713	3,017	5,327	1,823
Plant cleaning and gardening	24,585	9,205	26,171	8,633
Rent, rates and taxes	97,688	39,295	43,356	15,472
Freight charges	43,515	6,773	22,492	7,464
Other expenses	188,418	30,697	29,463	9,860
<b>Total manufacturing cost</b>	<b>27,733,173</b>	<b>9,728,890</b>	<b>15,668,450</b>	<b>5,576,052</b>
Opening work-in-process	493,431	1,784,164	522,557	94,028
Closing work-in-process	(2,494,420)	(2,494,420)	(67,361)	(67,361)
	(2,000,989)	(710,256)	455,196	26,667
<b>Cost of goods manufactured</b>	<b>25,732,184</b>	<b>9,018,634</b>	<b>16,123,655</b>	<b>5,602,728</b>
Opening stock of finished goods	385,626	437,721	332,278	228,327
Closing stock of finished goods	(598,422)	(598,422)	(86,855)	(86,855)
	(212,796)	(160,701)	245,423	141,472
Less: Own consumption capitalized	(109,029)	(29,995)	(163,171)	(52,043)
	<b>25,410,359</b>	<b>8,827,938</b>	<b>16,205,907</b>	<b>5,692,157</b>

## 12. Transactions with related parties

The related parties include the subsidiaries, the Investor (Nishat Mills Limited), related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	July to	July to
		March 2019	March 2018
		Un-audited	Un-audited
		(Rupees in thousand)	
<b>i. Subsidiary entities</b>	Purchase of goods and services	1,739,715	1,013,708
	Rental income	697	643
	Dividend income	-	51,191
	Sale of goods	16,745	17,215
<b>ii. Entities on the basis of common directorship</b>	Insurance premium	1,537	1,338
	Sale of goods	87,073	39,607
	Mark-up income on balances with related parties	72,581	50,240
	Dividend income	27,229	62,453
	Dividends paid	14,273	25,188
<b>iii. Investor</b>	Sale of goods	40,986	76,296
	Dividend income	143,875	128,730
	Dividends paid	584,690	1,031,807
<b>iv. Other related entities</b>	Insurance premium	108,542	69,492
	Sale of goods	326	-
	Dividend income	1,267,337	1,247,331
	Dividends paid	971	1,714
	Purchase of goods and services	31,634	26,662
	Insurance claims received	1,531	-
<b>v. Key management personnel</b>	Salaries and other employment benefits	180,283	152,965
<b>vi. Post employment benefit plans</b>	Expense charged in respect of defined benefit plan (including capitalized)	92,831	79,825
	Expense charged in respect of defined contribution plan (including capitalized)	62,108	51,191

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
<b>Payable to related parties:</b>		
Trade and other payables	247,963	327,510
<b>Receivable from related parties:</b>		
Trade debts	35,313	6,516
Loan to related party	1,000,000	1,000,000
Loan, advances, deposits, prepayments and other receivables	9,384	5,937
	<u>1,044,697</u>	<u>1,012,453</u>
	<b>July to March, 2019</b>	<b>July to March, 2018</b>
	<b>Un-audited</b>	<b>Un-audited</b>
	<b>(Rupees in thousand)</b>	

### 13. Cash flow from operating activities

Profit before tax	2,402,343	6,687,608
Adjustment for :		
- Depreciation on property, plant and equipment	2,587,176	1,527,809
- Profit on disposal of property, plant and equipment	(14,498)	(6,770)
- Profit on bank deposits	(7,551)	(9,564)
- Dividend income	(1,441,049)	(1,494,565)
- Retirement and other benefits accrued	61,368	78,336
- Mark-up income on Loans	(72,581)	(50,240)
- Exchange loss - net	135,162	183,655
- Finance cost	2,259,914	318,025
- Provision of WPPF	127,761	352,061
- Impairment of investment in equity instruments of subsidiary	162,789	-
- (Gain)/loss on derivative financial instruments	-	(12,979)
<b>Profit before working capital changes</b>	<u>6,200,834</u>	<u>7,573,376</u>
Effect on cash flow due to working capital changes:		
- (Increase) / decrease in stores, spares and loose tools	(3,017,145)	(578,926)
- (Decrease) / Increase in stock-in-trade	(2,262,750)	704,793
- (Increase) / decrease in trade debts	(1,429,615)	(36,949)
- Increase in advances, deposits, prepayments and other receivables	599,781	(920,901)
- Decrease / (Increase) in trade and other payables	(219,561)	390,668
	<u>(6,329,290)</u>	<u>(441,315)</u>
Cash generated from operations	<u>(128,456)</u>	<u>7,132,061</u>



	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>Un-audited</b>	<b>Un-audited</b>
	<b>(Rupees in thousand)</b>	

#### 14. Cash and cash equivalents

Short term borrowings - secured	(17,901,621)	(9,290,539)
Cash and bank balances	783,734	375,488
	<u>(17,117,887)</u>	<u>(8,915,051)</u>

#### 15. Financial risk management

##### 15.1 Financial risk factors

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

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at June 30, 2018.

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

##### 15.2 Fair value estimation

###### a) Fair value hierarchy

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

- The fair value of financial instruments traded in active markets (such as publicly traded available for sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. 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. This is the case for unlisted equity instruments.

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed above. The following table presents the Company's financial assets measured and recognised at fair value at March 31, 2019 and June 30, 2018 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
<b>As at March 31, 2019</b>				
<b>Assets</b>				
<b>Investments - available-for-sale</b>				
-Quoted equity instruments	25,801,302	-	-	25,801,302
-Unquoted equity instruments	-	-	1,896,680	1,896,680
	<u>25,801,302</u>	<u>-</u>	<u>1,896,680</u>	<u>27,697,982</u>

**As at June 30, 2018**

**Assets**

**Investments - available-for-sale**

-Quoted equity instruments	26,332,214	-	-	26,332,214
-Unquoted equity instruments	-	-	3,392,170	3,392,170
	<u>26,332,214</u>	<u>-</u>	<u>3,392,170</u>	<u>29,724,384</u>

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

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

The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at March 31, 2019.

**b) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

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

**c) Fair value measurements using significant unobservable inputs**

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

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

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

- Discount rate of 12.37%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.25% per annum.

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

## 16. Summary of significant transactions and events

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

- repaid principal on long term finance aggregating Rs 4,191.516 million (refer to note 6);
- change in estimate of useful lives of operating fixed assets (refer to note 4);
- fair value loss recognized in respect of investment in Nishat Hotels and Properties Limited (refer to note 9.1);
- dividends paid amounting to Rs 1,851.419 million (refer to statement of cash flows); and
- deposited Rs 100 million in the "Diamer-Bhasha and Mohmand Dams Fund" created by the Supreme Court of Pakistan (refer to note 7.1).

## 17. Date of authorization for issue

This interim financial information was authorized for issue on April 24, 2019 by the Board of Directors of the Company.

## 18. Event occurring after the reporting period

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

## 19. Corresponding figures

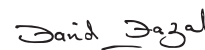
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss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



Chief Executive



Chief Financial Officer



Director

Interim Consolidated  
Financial  
Statements

## Consolidated Condensed Interim Statement of Financial Position

	Note	31 March, 2019 Un-Audited (Rupees in thousand)	30 June, 2018 Audited
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
- 950,000,000 (June 30, 2018: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2018: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital 438,119,118 (June 30, 2018: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		32,732,605	34,722,352
Accumulated profit		38,578,628	37,884,238
		<u>75,692,424</u>	<u>76,987,781</u>
Non-controlling interest		1,938,555	1,994,849
		<u>77,630,979</u>	<u>78,982,630</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	5	17,892,177	18,330,324
Long term deposits		214,517	109,726
Deferred liabilities		328,313	278,379
Deferred taxation		3,799,010	4,299,861
		<u>22,234,017</u>	<u>23,018,290</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		7,901,444	7,787,966
Loan from related party - unsecured	6	214,000	214,000
Short term borrowing-secured		20,599,684	13,614,942
Current portion of non-current liabilities		4,426,058	2,364,410
Accrued finance cost		719,088	370,028
Unclaimed dividend		35,658	28,347
Provision for taxation		35,090	35,090
		<u>33,931,022</u>	<u>24,414,783</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	<u>133,796,018</u>	<u>126,415,703</u>

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



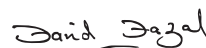
Chief Executive

## As At March 31, 2019 (Un-audited)

		<b>31 March, 2019</b>	<b>30 June, 2018</b>
	Note	<b>Un-Audited</b>	<b>Audited</b>
		<b>(Rupees in thousand)</b>	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	81,483,227	80,582,245
Biological assets		600,833	636,403
Investments	9	11,750,329	13,859,552
Long term loans to employees		574	574
Long term loans and deposits		61,828	60,173
		<u>93,896,791</u>	<u>95,138,947</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		8,439,607	5,272,192
Stock-in-trade		5,502,853	2,428,200
Trade debts		2,224,729	519,802
Investments	9	15,901,601	16,018,629
Advances, deposits, prepayments and other receivables		2,306,294	2,824,034
Loan to related party	10	1,000,000	1,000,000
Income tax recoverable		3,454,246	2,714,926
Cash and bank balances		1,069,897	498,973
		<u>39,899,227</u>	<u>31,276,756</u>
		<u>133,796,018</u>	<u>126,415,703</u>



Chief Financial Officer



Director

## Consolidated Condensed Interim Statement of Profit or Loss

### For the Quarter and Nine Months Ended March 31, 2019 (Un-audited)

	Note	2019		2018	
		July to March	January to March	July to March	January to March
		(Rupees in thousand)		(Rupees in thousand)	
Sales		32,609,651	11,113,313	25,395,325	8,377,120
Cost of sales	11	(27,419,503)	(9,275,549)	(18,149,001)	(6,391,735)
<b>Gross profit</b>		5,190,148	1,837,764	7,246,324	1,985,385
Administrative expenses		(545,122)	(195,960)	(514,243)	(181,436)
Selling and distribution expenses		(1,025,500)	(364,533)	(706,839)	(236,629)
Other operating expenses		(639,200)	(105,295)	(824,907)	(229,777)
Other income		1,823,001	621,418	1,659,492	503,232
<b>Profit from operations</b>		4,803,327	1,793,394	6,859,827	1,840,775
Finance cost		(2,457,596)	(1,007,959)	(339,008)	(126,392)
<b>Profit before taxation</b>		2,345,731	785,435	6,520,819	1,714,383
Taxation		155,037	43,453	(1,780,216)	(439,927)
<b>Profit after taxation</b>		2,500,768	828,888	4,740,603	1,274,456
Attributable to:					
Equity holders of the parent		2,556,401	853,244	4,843,373	1,280,111
Non-controlling interest		(55,633)	(24,356)	(102,770)	(5,655)
		2,500,768	828,888	4,740,603	1,274,456
Earning per share basic and diluted (Rupees)		5.71	1.89	10.82	2.91

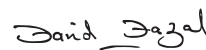
The annexed notes form an integral part of this condensed interim consolidated financial information.



Chief Executive



Chief Financial Officer



Director

## Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Nine Months Ended March 31, 2019 (Un-audited)

	2019		2018	
	July to March	January to March	July to March	January to March
	(Rupees in thousand)		(Rupees in thousand)	
<b>Profit after taxation</b>	2,500,768	828,888	4,740,603	1,274,456
<b>Items that may be re-classified to profit or loss:</b>				
Available for sale financial assets				
- Change in fair value of available-for-sale financial assets	(1,989,747)	542,170	760,102	1,294,572
- Gain during the year transferred to profit and loss account on derecognition of investment	-	-	-	-
	(1,989,747)	542,170	760,102	1,294,572
<b>Items that will not be subsequently re-classified to profit or loss:</b>	-	-	-	-
<b>Other comprehensive income for the period</b>	(1,989,747)	542,170	760,102	1,294,572
<b>Total comprehensive income for the period</b>	511,021	1,371,058	5,500,705	2,569,028
Attributable to:				
Equity holders of the parent	566,654	1,396,523	5,603,475	2,576,536
Non-controlling interest	(55,633)	(25,465)	(102,770)	(7,508)
	511,021	1,371,058	5,500,705	2,569,028

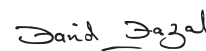
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Chief Executive



Chief Financial Officer



Director



## Consolidated Condensed Interim Cash Flow Statement

### For the Nine Months Ended March 31, 2019 (Un-audited)

	Note	2019 July to March (Rupees in thousand)	2018 July to March
Cash (used in)/ generated from operations	13	(1,101,273)	6,538,280
Financial cost paid		(2,108,536)	(243,785)
Retirement and other benefits paid		(11,434)	(38,877)
Taxes paid		(1,085,134)	(801,317)
Payment to subsidiary against tax losses		-	(15,000)
long term deposits - net		104,791	10,435
<b>Net cash (used in)/ from operating activities [A]</b>		<b>(4,201,586)</b>	<b>5,449,736</b>
Fixed capital expenditure		(3,692,350)	(12,318,537)
Proceeds from sale of property, plant and equipment		59,972	40,662
Long term loans and deposits - net		(1,655)	(980)
Investments made - net		235,843	(203,609)
Interest received		77,109	59,478
Dividend received		1,447,404	1,452,056
<b>Net cash (used in) investing activities [B]</b>		<b>(1,873,677)</b>	<b>(10,970,930)</b>
Repayment of long term finances		(6,267,010)	(627,917)
Loan from related party		-	45,000
Settlement of derivative financial instrument		-	(35,077)
Proceeds from long term finances		7,890,510	7,890,510
Dividend paid		(1,854,700)	(3,378,967)
<b>Net cash / (used in) from financing activities [C]</b>		<b>(231,200)</b>	<b>3,893,549</b>
<b>(De) Increase in cash and cash equivalents [A+B+C]</b>		<b>(6,306,463)</b>	<b>(1,627,645)</b>
Cash and cash equivalents at the beginning of period		(13,115,969)	(8,164,282)
Exchange loss on cash and cash equivalents		(107,355)	(128,669)
<b>Cash and cash equivalents at the end of period</b>	14	<b>(19,529,787)</b>	<b>(9,920,596)</b>

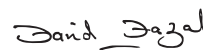
The annexed notes form an integral part of this condensed interim consolidated financial information.



Chief Executive



Chief Financial Officer



Director

# Consolidated Condensed Interim Statement of Changes In Equity

## For the Nine Months Ended March 31, 2019 (Un-audited)

Rupees in thousands	Capital reserve				Revenue reserve				
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated Profit	Total equity attributable to shareholders of parent company	Non-controlling interest	Total
<b>Balance as at June 30, 2018 - Audited</b>	4,381,191	4,557,163	24,700,828	353,510	5,110,851	37,884,238	76,987,781	1,994,849	78,982,630
Total comprehensive income for the period									
- Profit for the period			-	-	-	2,556,401	2,556,401	(55,633)	2,500,768
- Other comprehensive income for the period			-	-	-	-	(1,989,747)	(661)	(1,990,408)
<b>Total contributions by and distributions to owners of the Company recognized directly in equity</b>									
- Parent company									
- Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)						-	-	-	-
						-	-	-	-
<b>Balance as at March 31, 2019 - Unaudited</b>	4,381,191	4,557,163	22,711,081	353,510	5,110,851	38,578,628	75,692,424	1,938,555	77,630,979
<b>Balance as at June 30, 2017 - Audited</b>	4,381,191	4,557,163	27,957,495	353,510	5,110,851	32,333,597	74,693,807	1,971,423	76,665,230
Total comprehensive income for the period									
- Profit for the period			-	-	-	4,843,373	4,843,373	(102,770)	4,740,603
- Other comprehensive income for the period			-	-	-	-	760,102	10,199	770,301
<b>Total contributions by and distributions to owners of the Company recognized directly in equity</b>									
- Parent company									
- Final dividend for the year ended June 30, 2017 (Rs 7.5 per share)						-	-	-	-
- Subsidiary company						-	-	-	-
- Final dividend for the year ended June 30, 2017 (Rs 2 per share)						-	-	-	-
<b>Balance as at March 31, 2018 - Unaudited</b>	4,381,191	4,557,163	28,717,597	353,510	5,110,851	33,891,077	77,011,389	1,785,778	78,797,167

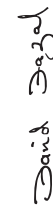
The annexed notes form an integral part of this condensed interim consolidated financial information.



Chief Executive



Chief Financial Officer



Director

# Notes to and Forming Part of the Consolidated Condensed Interim Financial For the Quarter and Nine Months Ended March 31, 2019 (Un-audited)

## 1. Legal Status and nature of business

The group comprises of:

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

D. G. Khan Cement Company Limited (the 'Company') is a public company limited by shares incorporated in Pakistan in 1978 under the repealed Companies Act, 1913 (now Companies Act, 2017). The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The Company is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. It has four cement plants, two plants located at Dera Ghazi Khan ('D.G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub').

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

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

During the current reporting period Nishat Farm Supplies (Private) Limited dissolve/wound-up.

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

	<b>Effective percentage of holding</b>
- Nishat Paper Products Company Limited	55.00%
- Nishat Dairy (Private) Limited	55.10% (approx)

## 2. Basis of preparation

### 2.1 Statement of compliance

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

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

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

This condensed interim financial information does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2018. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The Group is required to issue condensed interim consolidated financial information along with its

condensed interim separate financial information in accordance with the requirements of accounting and reporting standards as applicable in Pakistan.

### 3. Significant accounting policies

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018, but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information, except for IFRS 15, 'Revenue from Contracts with Customers'. The impact of the adoption of this standard and new accounting policy is disclosed in note 3.4 below.

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

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

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

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

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

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

#### **3.4 New accounting policy and impact thereof**

##### **3.4.1 IFRS 15, 'Revenue from Contracts with Customers'**

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

##### **New accounting policy**

Revenue from sale of goods is recognised when the when the Group satisfies a performance

obligation by transferring a promised good or service to a customer.

**For cement segment:**

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

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

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

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

**For paper segment:**

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

**For Dairy Segment:**

Revenue is recognised at the time of despatch of goods.

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

**Impact of adoption**

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

**3.5 Significant accounting estimates, judgements and financial risk:**

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

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

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

**3.6 Change in accounting estimate**

During the period, the Group carried out a comprehensive review of the remaining useful lives of the cement segment's operating fixed assets and as a result of such review, management identified that plant and machinery, factory buildings and quarry equipment require an upward revision whereas

furniture and fittings and office equipment require a downward revision in their useful lives. Hence, the remaining useful lives of plant and machinery, factory buildings and quarry equipment have been increased while useful lives of furniture and fittings and office equipment have been decreased. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit before tax for the nine month ended March 31, 2019 would have been lower by Rs 1,481.810 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, future profits before tax would decrease by Rs 1,481.810 million.

#### 4. Taxation

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

<b>March 31, 2019</b>	<b>June 30, 2018</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

#### 5. Long term finances

Long term loans	- note 5.1	22,291,471	20,667,971
Less: Current portion shown under current liabilities		4,399,294	2,337,647
		<u>17,892,177</u>	<u>18,330,324</u>

##### 5.1 Long term loans

Opening balance		20,667,971	13,133,750
Add: Disbursements during the period		2,950,000	8,453,805
Exchange loss during the period		-	-
		<u>23,617,971</u>	<u>21,587,555</u>
Less: Repayment during the period		1,326,500	919,584
Closing balance		<u>22,291,471</u>	<u>20,667,971</u>

#### 6. Loan from related party - unsecured

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

#### 7. Contingencies and commitments

##### 7.1 Contingencies

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

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

## 7.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 352.680 million (June 30, 2018: Rs 224.277 million)
- (ii) Letters of credits for capital expenditure Rs 2,280.783 million (June 30, 2018: Rs 235.266 million)
- (iii) Letters of credit other than capital expenditure Rs 1,851.267 million (June 30, 2018: Rs 3,685.854 million)
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
Not later than one year	425	331
Later than one year and not later than five years	1,699	1,325
Later than five years	5,228	4,307
	<u>7,352</u>	<u>5,963</u>

## 8. Property, plant and equipment

Operating assets	- note 8.1	75,612,921	77,509,420
Capital work-in-progress	- note 8.2	5,515,002	2,981,059
Major spare parts and stand-by equipment		355,304	91,766
		<u>81,483,227</u>	<u>80,582,245</u>

### 8.1 Operating assets

Opening book value		77,509,420	34,336,559
Add: Additions during the period/ year	-note 8.1.1	930,439	47,234,857
		<u>78,439,859</u>	<u>81,571,416</u>
Less: Disposals during the period/ year - net book value	-note 8.1.2	36,808	222,769
Impairment charge during the period/year		-	1,270,120
Depreciation charged during the period/ year		2,790,130	2,569,107
Closing book value		<u>75,612,921</u>	<u>77,509,420</u>

#### 8.1.1 Major additions during the period

Freehold land	48,575	202,663
Buildings on freehold land	2,680	12,270,389
Office building and housing colony	7,408	1,411,901
Roads	3,052	827,897
Plant and machinery	207,922	27,447,033
Quarry equipment	326,084	1,886,974
Furniture, fixtures and office equipment	112,693	184,858
Motor vehicles	219,299	153,892
Power and water supply lines	2,726	2,849,250
	<u>930,439</u>	<u>47,234,857</u>

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	

### 8.1.2 Disposals during the period

Office building and housing colony	-	172,634
Roads	-	8,211
Plant and machinery	17,192	8,966
Furniture, fixture and office equipment	62	83
Motor vehicles	19,554	26,344
Power and water supply lines	-	6,531
	<u>36,808</u>	<u>222,769</u>

### 8.2 Capital work-in-progress

Civil works	902,043	224,683
Plant and machinery	570,712	761,287
Advances for capital expenditure	38,744	17,565
Unallocated expenditure	-	1,585
Expansion project:		
-Civil works	1,703,526	496,086
-Plant and machinery	1,534,798	304,763
-Advances to suppliers and contractors	636,890	1,175,090
-Others	128,289	-
	<u>4,003,503</u>	<u>1,975,939</u>
	<u>5,515,002</u>	<u>2,981,059</u>

### 9. Investments

Carrying value of investments at the beginning of the period / year	29,878,181	33,170,223
Investments made during the period / year		
- Related parties	250,000	335,204
	250,000	335,204
Fair value gain / loss during the period / year on:		
- Available for sale investments	(2,313,461)	(3,627,246)
- Impairment recorded during the period	(162,790)	-
- Investments at fair value through profit or loss	-	-
	<u>(2,476,251)</u>	<u>(3,627,246)</u>
Carrying value at the end of the period / year	27,651,930	29,878,181
Investments classified in current assets	<u>(15,901,601)</u>	<u>(16,018,629)</u>
Closing balance	<u>11,750,329</u>	<u>13,859,552</u>



## 10. Loan to related party

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

	2019		2018	
	July to March	January to March	July to March	January to March

(Rupees in thousand)

## 11. Cost of sales

Raw and packing materials consumed	3,533,875	972,266	2,720,409	1,048,617
Forage	761,740	262,772	662,041	221,653
Medicine and related items	68,032	23,524	62,020	17,691
Salaries, wages and other benefits	2,531,469	898,083	1,664,349	549,045
Electricity and gas	3,761,184	1,368,027	1,758,864	727,443
Furnace oil and coal	12,470,810	4,536,366	6,878,532	2,334,656
Stores and spares consumed	2,346,958	788,330	1,407,526	546,178
Repair and maintenance	389,646	41,933	273,766	86,679
Insurance	65,655	20,053	43,994	14,746
Depreciation on property, plant and equipment	2,731,523	918,437	1,665,015	558,033
Royalty	540,947	189,577	254,433	85,437
Excise duty	36,414	12,692	24,321	8,196
Vehicle running expenses	66,520	30,022	24,483	9,992
Postage, telephone and telegram	8,195	3,290	3,966	1,463
Printing and stationery	17,552	9,156	8,720	2,120
Legal and professional charges	4,401	1,474	1,578	259
Travelling and conveyance	9,713	3,017	5,329	1,823
Plant cleaning and gardening	24,585	9,205	26,171	8,633
Rent, rates and taxes	97,694	39,301	43,506	15,203
Freight charges	43,676	6,934	22,527	7,465
Other expenses	247,093	30,696	89,698	22,502
<b>Total manufacturing cost</b>	<b>29,757,682</b>	<b>10,165,155</b>	<b>17,641,248</b>	<b>6,267,834</b>
Opening work-in-process	493,431	1,784,164	522,557	94,028
Closing work-in-process	(2,494,420)	(2,494,420)	(67,352)	(67,352)
	(2,000,989)	(710,256)	455,205	26,676
<b>Cost of goods manufactured</b>	<b>27,756,693</b>	<b>9,454,899</b>	<b>18,096,453</b>	<b>6,294,510</b>
Opening stock of finished goods	535,499	614,199	431,356	364,904
Closing stock of finished goods	(763,660)	(763,660)	(215,637)	(215,637)
	(228,161)	(149,461)	215,719	149,267
Less: Own consumption capitalized	(109,029)	(29,889)	(163,171)	(52,042)
	<b>27,419,503</b>	<b>9,275,549</b>	<b>18,149,001</b>	<b>6,391,735</b>

## 12. Transactions with related parties

The related parties include the subsidiaries, the Investor (Nishat Mills Limited), related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Group	Nature of transaction	July to	July to
		March 2019	March 2018
		Un-audited	Un-audited
(Rupees in thousand)			
<b>i. Entities on the basis of common directorship</b>	Insurance premium	1,537	1,338
	Sale of goods	87,073	39,607
	Mark-up income on balances with related parties	72,581	50,240
	Dividend income	27,229	62,453
	Dividends paid	14,273	25,188
<b>ii. Investor</b>	Sale of goods	40,986	76,296
	Dividend income	143,875	128,730
	Dividends paid	584,690	1,031,807
<b>iii. Other related entities</b>	Insurance premium	108,542	69,492
	Sale of goods	326	-
	Dividend income	1,267,337	1,247,331
	Dividends paid	971	1,714
	Purchase of goods and services	31,634	26,662
	Insurance claims received	1,531	-
<b>iv. Key management personnel</b>	Salaries and other employment benefits	180,283	152,965
<b>v. Post employment benefit plans</b>	Expense charged in respect of defined benefit plan (including capitalized)	92,831	79,825
	Expense charged in respect of defined contribution plan (including capitalized)	62,108	51,191

	<b>March 31, 2019</b>	<b>June 30, 2018</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
<b>Payable to related parties</b>		
Trade and other payables	896	6,418
<b>Receivable from related parties</b>		
Trade debts	34,423	6,516
Loan to related party	1,000,000	1,000,000
Loan, advances, deposits, prepayments and other receivables	9,384	5,937
	<b>1,043,807</b>	<b>1,012,453</b>

	<b>July to March, 2019</b>	<b>July to March, 2018</b>
	<b>Un-audited</b>	<b>Un-audited</b>
	<b>(Rupees in thousand)</b>	

### 13. Cash generated from operations

Profit before tax	2,345,731	6,520,819
Adjustment for :		
- Depreciation on property, plant and equipment	2,790,130	1,723,538
- Profit on bank deposits	(7,976)	(9,564)
- Profit on disposal of property, plant and equipment	(23,164)	(7,554)
- Dividend income	(1,447,404)	(1,452,056)
- Provision of WPPF	134,645	362,641
- Retirement and other benefits accrued	61,368	78,336
- Mark-up income on Loans	(72,581)	(50,253)
- Exchange loss - net	173,768	183,655
- Finance cost	2,457,596	339,008
- (Gain)/loss on derivative financial instruments	-	(12,979)
<b>Profit before working capital changes</b>	<b>6,412,113</b>	<b>7,675,591</b>
- Stores, spares and loose tools	(3,167,415)	(594,619)
- Stock-in-trade	(3,074,653)	577,496
- Trade debts	(1,698,101)	(322,451)
- Advances, deposits, prepayments and other receivables	521,188	(1,216,605)
- Trade and other payables	(94,405)	418,868
<b>Net working capital changes</b>	<b>(7,513,386)</b>	<b>(1,137,311)</b>
<b>Cash (used in)/ generated from operations</b>	<b>(1,101,273)</b>	<b>6,538,280</b>

<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Un-audited</b>	<b>Un-audited</b>
<b>(Rupees in thousand)</b>	

#### **14. Cash and cash equivalents**

Short term borrowings - secured	(20,599,684)	(10,304,578)
Cash and bank balances	1,069,897	383,982
	<u>(19,529,787)</u>	<u>(9,920,596)</u>

#### **15. Financial risk management**

##### **15.1 Financial risk factors**

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

The consolidated condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at June 30, 2018.

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

##### **15.2 Fair value estimation**

###### **a) Fair value hierarchy**

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed above. The following table presents the Group's financial assets measured and recognised at fair value at March 31, 2019 and June 30, 2018 on a recurring basis:

<b>As at March 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>(Rupees in thousand)</b>			
<b>Assets</b>				
Investment - At fair value through profit or loss				
Investments - Available for sale				
-Quoted equity instruments	25,805,250	-	-	25,805,250
-Unquoted equity instruments	-	-	1,846,680	1,846,680
Biological assets	-	-	600,833	600,833
<b>Total assets</b>	<b>25,805,250</b>	<b>-</b>	<b>2,447,513</b>	<b>28,252,763</b>

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

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

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at March 31, 2019.

#### **b) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

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

#### **c) Fair value measurements using significant unobservable inputs**

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

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

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

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

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

- Discount rate of 12.37%.

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

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

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

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

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

### **Fair value sensitivity analysis**

#### **For biological assets**

If the fair value of biological assets, at the period end date fluctuates by 1% higher/lower with all other variables held constant, pre tax loss for the period would have been Rs 6.008 million (June, 2018: Rs 5.992) lower/higher mainly as a result of lower/higher fair value loss on biological assets.

## **16. Summary of significant transactions and events**

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

- repaid principal on long term finance aggregating Rs 1,326.500 million (refer to note 5.1);

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

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

- dividends paid amounting to Rs 1,854.700 million (refer to statement of cash flows); and

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

## 17. Operating segments

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

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

### **Type of segments    Nature of business**

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

### **17.1 Segment analysis and reconciliation - condensed**

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

July 1 to March 31,

Rupees in thousands	Cement		Paper		Dairy		Elimination - net		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Revenue from									
- External Customers	30,375,649	23,375,208	1,152,296	1,092,876	1,081,706	927,241	-	-	32,609,651	25,395,325
- Inter-group	-	-	1,738,371	1,013,546	-	-	(1,738,371)	(1,013,546)	-	-
	30,375,649	23,375,208	2,890,667	2,106,422	1,081,706	927,241	(1,738,371)	(1,013,546)	32,609,651	25,395,325
Segment gross profit/(loss)	4,965,290	7,169,301	383,806	265,752	(127,596)	(181,886)	(31,352)	(6,843)	5,190,148	7,246,324
Segment expenses	(2,020,631)	(1,802,599)	(70,909)	(62,455)	(118,282)	(180,935)	-	-	(2,209,822)	(2,045,989)
Other Income	1,717,598	1,638,931	10,522	12,832	95,578	8,372	(697)	(643)	1,823,001	1,659,492
Financial charges	(2,259,914)	(318,025)	(192,618)	(19,501)	(5,064)	(1,482)	-	-	(2,457,596)	(339,008)
Taxation	222,457	(1,717,779)	(59,241)	(60,925)	(8,179)	(1,512)	-	-	155,037	(1,780,216)
Profit/(loss) after taxation	2,624,800	4,969,829	71,560	135,703	(163,543)	(357,443)	(32,049)	(7,486)	2,500,768	4,740,603
Depreciation	2,587,176	1,527,809	45,140	24,872	135,617	146,984	22,197	23,873	2,790,130	1,723,538
Capital expenditure	(3,691,558)	(11,495,855)	(1,424)	(934,925)	(34,947)	(68,400)	35,579	180,643	(3,692,350)	(12,318,537)
Cash to operations	(2,424,219)	5,988,152	(1,025,292)	(395,744)	(103,787)	(78,514)	(648,288)	(64,158)	(4,201,586)	5,449,736
Cash from investing	(2,392,048)	(10,053,059)	(33)	(974,027)	38,184	(80,001)	480,220	136,157	(1,873,677)	(10,970,930)
Rupees in thousands	31.03.2019	30.06.2018	31.03.2019	30.06.2018	31.03.2019	30.06.2018	31.03.2019	30.06.2018	31.03.2019	30.06.2018
	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited
Segment assets	127,669,608	121,889,015	5,477,278	3,819,137	3,032,746	3,133,181	(2,383,614)	(2,425,630)	133,796,018	126,415,703
Segment liabilities	51,762,147	44,754,598	4,068,994	2,481,688	580,964	517,857	(247,066)	(321,070)	56,165,039	47,433,073

## 17.2 Geographical segments

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



## 18. Date of authorization for issue

This consolidated condensed interim financial information was authorized for issue on April 24, 2019 by the Board of Directors of the of the Parent Company.

## 19 Event occurring after the reporting period

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

## 20. Corresponding figures

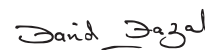
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim consolidated balance sheet have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim consolidated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



Chief Executive



Chief Financial Officer



Director



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