

Half Yearly
Report,
December 31,

2021

(Un-audited)



NISHAT



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

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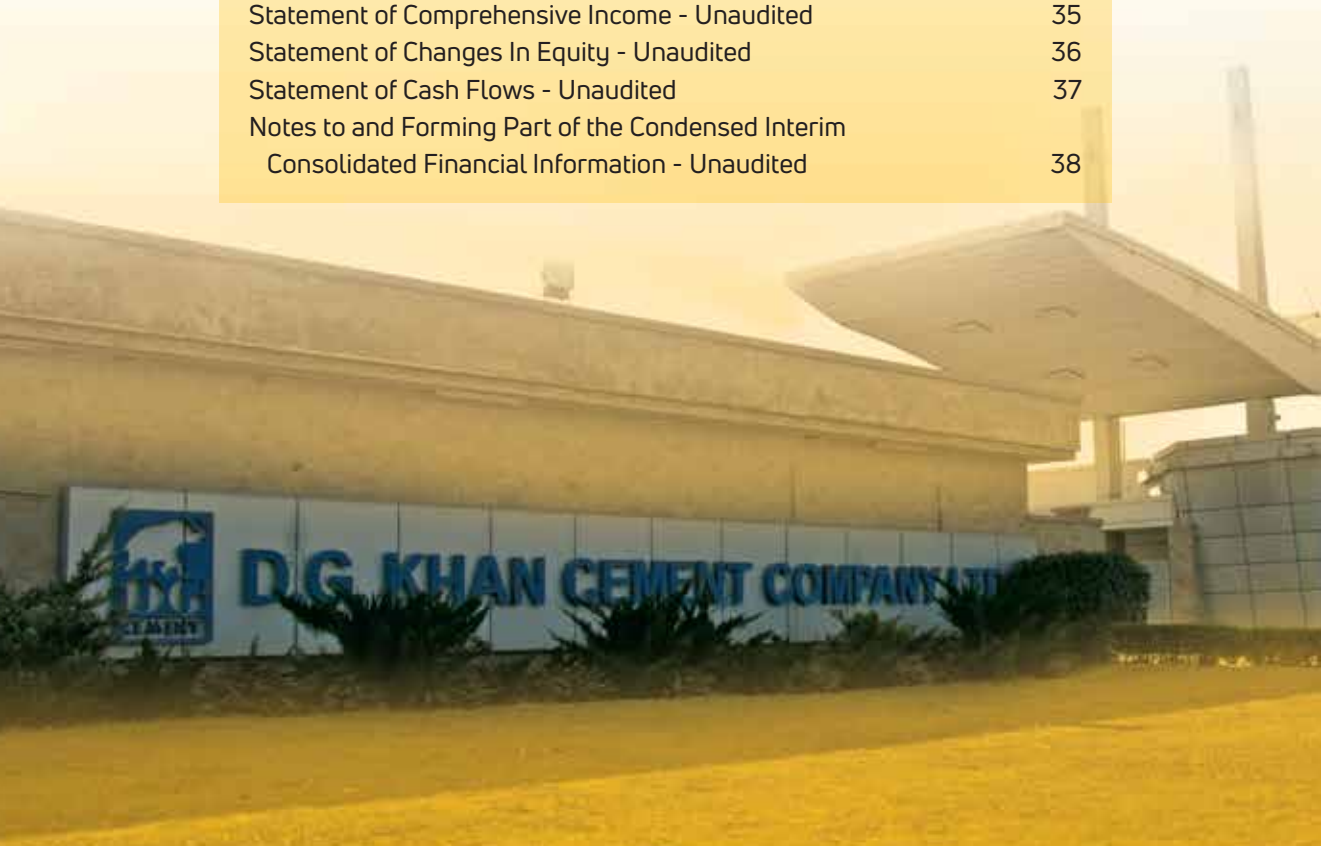
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COMPANY INFORMATION

Board of Directors

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

Female Director 01
Male Directors 06

Audit Committee

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

Human Resource & Remuneration Committee

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

Management

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

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

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

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Important Identification Numbers of Company

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

Company Products

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

HS Code

Clinker: 2523.1000 Cement: 2523.2900

Applicable Laws & Regulations

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

Company Rating

Long Term: AA -
Outlook: Stable
Rating Date: March 04, 2021

Short Term: A1+
Rating Agency: PACRA

Registered Office

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

Factories

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

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

Share Registrar: THK Associates (Pvt) Ltd

Head Office, Karachi
Plot No. 32-C, Jami Commercial
Street No. 2, DHA Phase-VII,
Karachi 75500.

UAN: 021 111 000 322
Tel: 021 353 10 191, **Fax:** 021 353 10 190

Branch Office, Lahore
Siddique Trade Centre,
Office No. PL-29, PL Floor,
72 Main Boulevard,
Gulberg II, Lahore

Phone: +92 42 3578 1682

For Investors' Information, Comments, Inquiries, Complaints

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

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

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

Directors' Report

The directors of your company are pleased to present you the results of HY22:

	HY2022	HY2021
	Rupees in '000'	
Sales	27,434,482	21,862,581
Cost of sales	(22,576,459)	(18,449,084)
Gross profit	4,858,023	3,413,497
Administrative expenses	(368,391)	(310,022)
Selling and distribution expenses	(1,011,242)	(992,066)
Net impairment (losses)/gain on financial assets	(38,764)	30,888
Other expenses	(333,413)	(48,172)
Other income	1,292,402	353,624
Finance cost	(1,537,950)	(1,528,903)
Profit before taxation	2,860,665	918,846
Taxation	(683,588)	(117,980)
Profit for the period	2,177,077	800,866

EPS (Rs/share)	4.97	1.82
GP%	17.71%	15.61%
PBT%	10.43%	4.20%
PAT%	7.94%	3.66%

Production and Sales volumetric data is as under:

	HY2022	HY2021
	in MT	
Production:		
Clinker	3,356,283	3,094,799
Cement	2,751,340	2,778,473
Sales:		
Total Cement	2,709,973	2,756,448
Local Cement (excluding own consumption)	2,534,154	2,703,221
Export Cement	175,819	53,227
Clinker Sale	754,905	1,008,205

FY22 came with high expectations on part of Government to achieve high growth numbers at macro-economic levels. High PSDP expenditure was budgeted. Targeted subsidies were planned at different sectors of economy. Agriculture sector was heavily incentivized with 'Kisan card', high support prices, laws relating to timely payments to farmers and National Agriculture Emergency program. Construction sector was also focused with subsidies on housing loans, extension in tax amnesty and through regulatory enforcement by State Bank of Pakistan. This pace was halted by the world-wide inflation crisis mainly on account of high fuel and energy prices. As a result, Pakistan economy exposed to fault lines in early months of the year. Current account deficit that started showing signs of weakness in last quarter of FY21, carried on in the current year. Worldwide inflation in commodity (particularly coal and crude oil) and edible oil prices made

current account deficit unmanageable. Further, debt financing requirement pushed the Government to approach IMF for support. As a result, PKR devalued and discount rates were raised. Sky rocketing fuel prices and impact of devaluation resulted in higher energy costs and inflation. These measures affected the purchasing power of common people and the effect is visible across all industries.

In volume terms, total sales quantity of industry witnessed decline of 1.1 million tons (4.1%) period on period basis to 27.4 million tons. North zone registered negative growth of 0.7 million tons (3.4%) against South Zone of 0.4 million tons (6.2%). Further analysis shows that negative growth was driven by exports that declined 1.6 million tons (32.4%) while local dispatches registered modest growth of 0.4 million tons (1.9%) to 24 million tons. Sales utilization of industry declined to 79% against 83% for the corresponding period last year. It was largely contributed by local sales of 70% against exports sales utilization of 9%.

Kiln operational days of your Company increased by 2.9% from 538 days to 554 days due to less number of scheduled shutdown days this year. Consequently, clinker production % remained high to 100% (HY21: 92%). Sales utilization of your Company declined to 103% (HY21: 112%) mainly due to export of clinker largely from the piling clinker stock last year. In line with industry, domestic sales of the Company declined by 6.2%. Clinker was exported to contribute towards fixed costs earning valuable foreign exchange of USD 33 million from July-December 2021.

Sales, in value terms, registered growth primarily due to stable local cement prices. Whole effect of inflation, high energy and fuel prices could not be passed on to the consumers. The Company partially shifted to Alternate Fuel in substitution of coal, saving valuable foreign exchange reserves. Selling expenses increase was associated with the rise in freight rates. Currency devaluation resulted in higher exchange loss on account of import of coal; the effect is visible in Other expenses. Other income increase was mainly due to dividend from MCB which was not received in the corresponding period last year due to restrictions by SBP.

Consolidated EPS is Rs 5.61/share with further contribution of profitability from both paper and dairy segments.

World-wide businesses are opening up and global economy is on growth track. This brings challenges with it. High demand and supply chain issues are pulling commodity prices upward. Particularly, coal has peaked beyond USD 250/ton, all time high during the period before coming down to around USD 165/ton by period end. However, high demand and supply constraints are making its price vulnerable and pushing it upward subsequently. Tensions are building up in political landscape particularly in middle east and Central Asian region. Current account deficit stabilized in the month of January but rising commodity prices are causing a serious threat to Pakistan macro-economic stability. High energy prices and further devaluation of PKR may bring the storm of high inflation, denting already weak purchasing power of people. IMF may persuade the Government to slow down growth to absorb the pressure and further enforce tight monetary measures. Discount rates may rise further to offset the effect of inflation. Whole of this cost pressure is expected to be passed on to consumers otherwise it may squeeze the Company's margins. Situation in Afghanistan is volatile and may attract international pressure on Pakistan that may have potential negative effect for overall business environment. Rising inflation and construction material prices may also affect demand of cement on back of housing loans and may affect cement dispatches volume. There is also speculation regarding some IMF restrictions on SBP regarding subsidized financing (including housing finance). It will be confirmed in the next periodic review. On positive side, agriculture sector is registering positive growth for its Kharif crops (mainly cotton). However, shortage of Urea for wheat crop may affect its production, affecting construction activity in rural side. Coal Fired Power plant at Hub site has commenced its operations in September 2021, making our plant at Hub site self-sufficient and energy efficient.

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

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

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

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

Following are the directors of the Company:

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

Female Directors: 01

Male Directors: 06

Audit Committee

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

Human Resource & Remuneration Committee

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

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

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

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

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

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

For and on behalf of the Board



Raza Mansha
Chief Executive Officer



Farid Noor Ali Fazal
Director

Lahore
February 18, 2022

آڈٹ کمیٹی

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

ہیومن ریسورس اینڈ ریمیزیشن کمیٹی

جناب خالد نیاز خواجہ	چیئر مین
جناب رضامشا	رکن
جناب شہزاد ملک	رکن

اختتام پذیر مدت کی حیثیت کو متاثر کرنے والے کوئی بعد از تینٹنس شیٹ نمایاں واقعات رونمائیں ہوئے ہیں۔

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

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

آپ کی کمیٹی 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۔ کمیٹی کے آپریٹنگ نتائج میں گزشتہ مدت سے اہم تغیرات ڈائریکٹرز رپورٹ کے دیگر حصوں میں اجاگر کئے گئے ہیں اور وجوہات بیان کی گئی ہیں۔

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

مخائب بورڈ

David Jazal

فریڈ نور علی فضل

ڈائریکٹر

Rahim

رضامشا

چیف ایگزیکٹو آفیسر

لاہور

18 فروری 2022ء

سخت مالیاتی اقدامات کو مزید نافذ کرنے کے لیے حکومت کو نمونہ رقم کرنے پر آمادہ کر سکتا ہے۔ افراط زر کے اثر کو دور کرنے کے لیے ڈسکاؤنٹ شرحیں مزید بڑھائی جاسکتی ہیں۔ توقع ہے کہ لاگت کے اس پورے دباؤ کو صارفین تک منتقل کیا جائے گا ورنہ یہ کہنی کے مارجن کو کم کر سکتا ہے۔ افغانستان کی صورتحال غیر مستحکم ہے اور پاکستان پر بین الاقوامی دباؤ کو اپنی طرف متوجہ کر سکتی ہے جس کے مجموعی کاروباری ماحول پر ممکنہ منفی اثرات مرتب ہو سکتے ہیں۔ بڑھتی ہوئی افراط زر اور تعمیراتی سامان کی قیمتیں ہاؤسنگ لون کی وجہ سے سینٹ کی طلب اور سینٹ کی ترسیل کے حجم کو بھی متاثر کر سکتی ہیں۔ اعانتی فنڈنگ (بشمول ہاؤسنگ فنڈس) کے حوالے سے اسٹیٹ بینک پر آئی ایم ایف کی کچھ پابندیوں کے بارے میں بھی قیاس آرائیاں کی جارہی ہیں۔ اس کی تصدیق اگلے متواتر جائزے میں کی جائے گی۔ مثبت پہلو پر، زرعی شعبہ اپنی خریف فصلوں (بنیادی طور پر کپاس) کے لیے مثبت نمودار کر رہا ہے۔ تاہم، گندم کی فصل کے لیے یوریا کی قلت اس کی پیداوار کو متاثر کر سکتی ہے، جس سے دیہی علاقوں میں تعمیراتی سرگرمیاں متاثر ہو سکتی ہیں۔ جب سائٹ پر کوسٹس سے چلنے والے پاور پلانٹ نے ستمبر 2021 میں اپنا کام شروع کر دیا ہے، جس سے جب سائٹ پر ہمارا پلانٹ خود کفیل اور توانائی کی بچت ہوگی۔

کہنی کی بنیادی سرگرمی سینٹ اور کلنر کی تیاری اور فروخت کرنا ہے اور کہنی 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 سکر او

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

کہنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے سوائے آزاد ڈائریکٹرز سمیت اپنے نان ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرے گی۔

کہنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں ڈائریکٹرز کے سفر اور رہائش کے اخراجات ادا کرے گی۔

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

مندرجہ ذیل کہنی کے ڈائریکٹرز ہیں:

مہترمہ نازمشا (چیئر پرسن)	نان ایگزیکٹو
جناب رضاشا	ایگزیکٹو
جناب خالد نیاز خواجہ	آزاد
جناب اسامہ محمود	آزاد
جناب محمود اختر	نان ایگزیکٹو
جناب فرید نور علی فضل	ایگزیکٹو
جناب شہزاد احمد ملک	نان ایگزیکٹو

خاتون ڈائریکٹرز: 01

مرد ڈائریکٹرز: 06

مالی سال 22 حکومت کی جانب سے میکرو اکنامک سطحوں پر اعلیٰ نمو حاصل کرنے کے لیے بہت زیادہ توقعات کے ساتھ آیا۔ PSDP کے زیادہ اخراجات کا بجٹ رکھا گیا۔ معیشت کے مختلف شعبوں میں نارگنڈ سسڈیز کی منصوبہ بندی کی گئی۔ زرعی شعبے کو، کسان کارڈ، اعلیٰ امدادی قیمتوں، کسانوں کو بروقت ادائیگی سے متعلق قوانین اور قومی زرعی ایگریجنسی پروگرام کے ذریعے بہت زیادہ رعایت دی گئی۔ تعمیراتی شعبے میں بھی ہاؤسنگ قرضوں پر سبسڈی، ٹیکس ایکسٹنشن میں توسیع اور اسٹیٹ بینک آف پاکستان کی جانب سے ریگولیٹری کے نفاذ کے ذریعے توجہ مرکوز کی گئی۔ اس رفتار کو عالمی سطح پر مہنگائی کے بحران نے بنیادی طور پر ایندھن اور توانائی کی بلند قیمتوں نے کمزور کر دیا تھا۔ نتیجتاً پاکستان کی معیشت سال کے ابتدائی مہینوں میں فائلڈ لائنز کا شکار ہو گئی۔ کرنٹ اکاؤنٹ خسارہ جس نے مالی سال 21 کی آخری سہ ماہی میں کمزوری کے آثار دکھانا شروع کر دیے، رواں سال میں جاری رہا۔ اجناس (خاص طور پر کونکھ اور خام تیل) میں عالمی سطح پر مہنگائی اور خوردنی تیل کی قیمتوں نے کرنٹ اکاؤنٹ خسارے کو بے قابو کر دیا۔ مزید، قرض کی مالی اعانت کی ضرورت نے حکومت کو مدد کے لیے آئی ایم ایف سے رجوع کرنے پر مجبور کیا۔ نتیجتاً، پاکستانی روپیہ کی قدر میں کمی اور ڈسکاؤنٹ شرحیں بڑھ گئیں۔ ایندھن کی قیمتوں میں تیزی سے اضافہ اور قدر میں کمی کے اثرات کے نتیجے میں توانائی کی قیمتوں اور افراط زر میں اضافہ ہو گیا ہے۔ ان اقدامات سے عام لوگوں کی قوت خرید متاثر ہوئی اور اس کا اثر تمام صنعتوں پر نظر آتا ہے۔

حجم کے لحاظ سے، صنعت کی کل فروخت مقدار سہ ماہی کی بنیاد پر 1.1 ملین ٹن (4.1%) کی کمی سے 27.4 ملین ٹن تک ہوئی ہے۔ نارنجی زون نے جنوبی زون میں 0.4 ملین ٹن (6.2 فیصد) نمو کے مقابلہ میں 0.7 ملین ٹن (3.4 فیصد) کی منفی نمو درج کرائی ہے۔ مزید تجزیہ ظاہر کرتا ہے کہ یہ منفی نمو برآمدات کی وجہ سے ہوئی جو 1.6 ملین ٹن (32.4%) کم ہوئی جبکہ مقامی ترسیلات 0.4 ملین ٹن (1.9%) کی معمولی نمو 24 ملین ٹن تک درج کی گئی۔ صنعت میں مستعمل فروخت 79 فیصد تک کم دیکھی گئی جو گزشتہ سال کے اسی عرصے میں 83% رہی تھی۔ اس میں برآمدی مستعمل فروخت 10% کے مقابلہ میں مقامی فروخت 70% کا بڑا حصہ شامل ہے۔

اس سال شیڈول شدہ ڈاؤن کی کم تعداد کی وجہ سے آپ کی کمپنی کے کلن آپریشنل دن 2.9% کم ہو کر 538 دنوں سے 554 دن ہو گئے۔ اس کے مطابق، اوسط کلننگ پیرا اور 100 فیصد (HFY21: 92) رہی ہے۔ آپ کی کمپنی کی مستعمل فروخت 103 فیصد تک (HY21: 112%) جو کہ بنیادی طور پر گزشتہ سال کے پائنگ کلننگ اسٹاک سے زیادہ سے زیادہ کلننگ کی برآمد کی وجہ سے کم ہوئی ہے۔ صنعت کے لحاظ سے، کمپنی کے مقامی فروخت 6.2% تک کم ہوئی۔ جولائی۔ دسمبر 2021 سے کلننگ کے مقررہ اخراجات میں حصہ ڈالنے اور 33 ملین امریکی ڈالر کا قیمتی زرمبادلہ کمانے کے لئے کلننگ برآمد کیا گیا تھا۔

قیمت کے لحاظ سے فروخت، بنیادی طور پر سینٹ کی مستحکم مقامی قیمتوں کی وجہ سے زیادہ ہوئی ہے۔ افراط زر، توانائی اور ایندھن کی زیادہ قیمتوں کے تمام اثرات صارفین کو منتقل نہیں کئے جاسکتے تھے۔ کمپنی کو جزوی طور پر کونکھ کی جگہ متبادل ایندھن پر منتقل کر دیا گیا، جس قیمتی غیر ملکی زرمبادلہ کی بچت ہوئی۔ فروخت کے اخراجات میں کمی کی کلننگ برآمدات میں کمی سے وابستہ تھی۔ کرنسی کی قدر میں کمی کے نتیجے میں کونکھ کی درآمد کی وجہ سے زیادہ زرمبادلہ نقصان ہوا، جس کا اثر دیگر اخراجات میں نمایاں ہے۔ دیگر آمدن میں اضافہ بنیادی طور پر MCB سے منافع منقسمہ کی وجہ سے ہوا جو SBP کی پابندیوں کے باعث گزشتہ سال کی اسی مدت میں وصول نہیں ہوا تھا۔

کانڈا اور ڈیری دونوں شعبوں سے منافع میں مزید شراکت کے ساتھ مجموعی EPS فی شیئر 5.61 روپے ہے۔

دنیا بھر میں کاروبار کھل رہے ہیں اور عالمی معیشت ترقی کی راہ پر گامزن ہے۔ یہ اپنے ساتھ چیلنجز بھی لایا ہے۔ زیادہ طلب اور سپلائی چین کے مسائل ایشیا کی قیمتوں کو بڑھا رہے ہیں۔ خاص طور پر، کونکھ 250 امریکی ڈالر فی ٹن سے اوپر پہنچ گیا ہے، جو مدت کے اختتام تک تقریباً 165 امریکی ڈالر فی ٹن تک نیچے آنے سے پہلے کی مدت کے دوران سب سے زیادہ تھا۔ تاہم، زیادہ طلب اور رسد کی کمی اس کی قیمت کو غیر محفوظ بنا رہی ہیں اور بعد ازاں بڑھا رہی ہیں۔ سیاسی منظر نامے میں خاص طور پر مشرق وسطیٰ اور وسطی ایشیائی خطے میں تناؤ بڑھ رہا ہے۔ کرنٹ اکاؤنٹ خسارہ جنوری کے مہینے میں مستحکم ہوا لیکن ایشیا کی قیمتوں میں اضافہ پاکستان کے میکرو اکنامک استحکام کے لیے سنگین خطرات کا باعث بن رہا ہے۔ توانائی کی زیادہ قیمتیں اور پاکستانی روپیہ کی قدر میں مزید کمی لوگوں کی پہلے سے ہی کمزور قوت خرید کو ختم کر کے مہنگائی کا طوفان لاسکتی ہے۔ آئی ایم ایف دباؤ کو جذب اور

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 2022 کی پہلی ششماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

پہلی ششماہی مالی سال 2021	پہلی ششماہی مالی سال 2022	
روپے ہزاروں میں		
21,862,581	27,434,482	فروخت
(18,449,084)	(22,576,459)	قیمت فروخت
3,413,497	4,858,023	مجموعی منافع
(310,022)	(368,391)	انتظامی اخراجات
(992,066)	(1,011,242)	فروخت اور تقسیم کے اخراجات
30,888	(38,764)	مالی اثاثوں پر فرسودگی کے نقصانات
353,624	(333,413)	دیگر آمدنی
(1,528,903)	(1,537,950)	مالی لاگت
918,846	2,860,665	ٹیکسیشن سے قبل منافع / (نقصان)
(117,980)	(683,588)	ٹیکسیشن
800,866	2,177,077	ٹیکسیشن کے بعد منافع / (نقصان)
1.82	4.97	EPS (روپے فی شیئر)
15.61%	17.71%	GP %
4.20%	10.43%	PBT %
3.66%	7.94%	PAT %

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

پہلی ششماہی مالی سال 2021	پہلی ششماہی مالی سال 2022	
اعداد و شمار میٹرک ٹن میں		پیداوار
3,094,799	3,356,283	کلنکر کی پیداوار
2,778,473	2,751,340	سیمنٹ کی پیداوار
		فروخت
2,756,448	2,709,973	سیمنٹ کی کل فروخت
2,703,221	2,534,154	سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)
53,227	175,819	سیمنٹ کی برآمد فروخت
1,008,205	754,905	کلنکر کی فروخت



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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of D. G. Khan Cement Company Limited as at December 31, 2021 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the "unconsolidated interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the three-month period ended December 31, 2020 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2021.

Scope of Review

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

Conclusion

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

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

A. F. Ferguson & Co.

Chartered Accountants,

Lahore

Dated: February 18, 2022

Unconsolidated Condensed Interim Statement of Financial Position

	Note	31 December, 2021 Un-Audited (Rupees in thousand)	30 June, 2021 Audited
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2021: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2021: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up share capital 438,119,118 (June 30, 2021: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Other reserves		28,753,438	30,280,119
Revenue reserve: Un-appropriated profits		40,555,521	38,816,563
		73,690,150	73,477,873
NON-CURRENT LIABILITIES			
Long term finances - secured	6	17,371,224	19,300,064
Deferred government grant	7	555,780	664,504
Long term deposits		244,277	246,992
Deferred liabilities		564,386	530,803
Deferred taxation		3,346,200	3,378,941
		22,081,867	24,121,304
CURRENT LIABILITIES			
Trade and other payables		14,937,395	14,923,151
Accrued markup		679,647	507,769
Short term borrowings - secured		19,464,963	18,362,050
Current portion of non-current liabilities	8	6,955,858	6,433,943
Unclaimed dividend		34,631	33,517
Provision for taxation		35,090	35,090
		42,107,584	40,295,520
Contingencies and Commitments	9	137,879,601	137,894,697

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



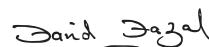
Chief Executive

As At December 31, 2021

		31 December, 2021	30 June, 2021
	Note	Un-Audited	Audited
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	84,087,928	85,020,109
Intangible asset	11	20,904	-
Investments	12	14,861,373	15,965,811
Long term deposits		61,020	57,513
		99,031,225	101,043,433
CURRENT ASSETS			
Stores, spare parts and loose tools		13,199,308	12,879,348
Stock-in-trade		4,399,218	2,728,589
Trade debts		1,912,242	1,676,245
Investments		12,421,612	12,946,786
Loans, advances, deposits, prepayments and other receivables		248,352	488,566
Loan to related party	13	-	765,000
Income tax receivable		4,810,046	4,560,357
Cash and bank balances		1,857,598	806,373
		38,848,376	36,851,264
		137,879,601	137,894,697



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Six-Month Period ended December 31, 2021 (Un-audited)

	2021		2020	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
Revenue	27,434,482	16,281,948	21,862,581	11,348,146
Cost of sales	(22,576,459)	(13,522,667)	(18,449,084)	(8,942,333)
Gross profit	4,858,023	2,759,281	3,413,497	2,405,813
Administrative expenses	(368,391)	(182,921)	(310,022)	(156,363)
Selling and distribution expenses	(1,011,242)	(693,876)	(992,066)	(383,175)
Net impairment (losses)/gain on financial assets	(38,764)	(38,764)	30,888	30,888
Other expenses	(333,413)	(107,732)	(48,172)	(46,671)
Other income	1,292,402	749,181	353,624	283,321
Finance cost	(1,537,950)	(802,171)	(1,528,903)	(757,487)
Profit before taxation	2,860,665	1,682,998	918,846	1,376,326
Taxation	(683,588)	(413,945)	(117,980)	(224,568)
Profit for the period	2,177,077	1,269,053	800,866	1,151,758
Earnings per share				
(basic and diluted - in Rupees)	4.97	2.90	1.83	2.63

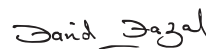
The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Six-Month Period ended December 31, 2021 (Un-audited)

	2021		2020	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	2,177,077	1,269,053	800,866	1,151,758
Other comprehensive (loss)/income for the period - net of tax				
Items that may be reclassified subsequently to profit or loss:				
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Change in fair value of investments at fair value through other comprehensive income (FVOCI) - net of tax	(1,526,681)	(328,665)	3,436,194	2,435,502
	(1,526,681)	(328,665)	3,436,194	2,435,502
Total comprehensive income for the period	650,396	940,388	4,237,060	3,587,260


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



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Changes In Equity

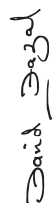
For the Six-Month Period ended December 31, 2021 (Un-audited)

	(Rupees in thousands)						
	Share capital	Share premium	FVOCI reserve	Capital redemption reserve fund	Revenue reserve		
Balance as at July 1, 2020 - Audited	4,381,191	4,557,163	17,244,158	353,510	5,071,827	35,036,308	66,644,157
Total comprehensive income for the period							
- Profit for the period	-	-	-	-	-	800,866	800,866
- Other comprehensive income for the period	-	-	3,436,194	-	-	-	3,436,194
	-	-	3,436,194	-	-	800,866	4,237,060
Balance as at December 31, 2020 - Un-audited	4,381,191	4,557,163	20,680,352	353,510	5,071,827	35,837,174	70,881,217
Balance as at July 1, 2021 - Audited	4,381,191	4,557,163	20,297,619	353,510	5,071,827	38,816,563	73,477,873
Total comprehensive income for the period							
- Profit for the period	-	-	-	-	-	2,177,077	2,177,077
- Other comprehensive loss for the period	-	-	(1,526,681)	-	-	-	(1,526,681)
	-	-	(1,526,681)	-	-	2,177,077	650,396
Transactions with owners in their capacity as owners recognised directly in equity							
Final dividend for the year ended June 30, 2021 (Re 1 per share)	-	-	-	-	-	(438,119)	(438,119)
Balance as at December 31, 2021 - Un-audited	4,381,191	4,557,163	18,770,938	353,510	5,071,827	40,555,521	73,690,150

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


Chief Executive


Chief Financial Officer


Director

Unconsolidated Condensed Interim Statement of Cash Flows

For the Six-Month Period ended December 31, 2021 (Un-audited)

	Note	2021 July to December (Rupees in thousand)	2020 July to December
Cash flows from operating activities			
Cash generated from operations	15	3,337,947	5,053,228
Finance cost paid		(1,366,072)	(1,617,169)
Retirement and other benefits paid		(58,462)	(48,955)
Income tax paid		(863,086)	(438,608)
Long term deposits - net		(2,715)	(13,435)
Net cash inflow from operating activities		1,047,612	2,935,061
Cash flows from investing activities			
Payments for property, plant and equipment		(982,539)	(2,550,956)
Payments for intangible asset		(21,500)	-
Proceeds from disposal of property, plant and equipment		9,000	7,360
Investments in equity instruments		-	(176,106)
Long term loans, advances and deposits - net		(3,507)	425
Recovery of loan to related party		765,000	-
Interest received		33,036	32,725
Dividend received		1,212,733	164,101
Net cash inflow/(outflow) from investing activities		1,012,223	(2,522,541)
Cash flows from financing activities			
Repayment of long term finances		(3,012,421)	-
Proceeds from long term finances		1,500,000	2,494,703
Dividend paid		(437,005)	(362)
Net cash (outflow)/inflow from financing activities		(1,949,426)	2,494,341
Net increase in cash and cash equivalents		110,409	2,906,951
Cash and cash equivalents at the beginning of the period		(17,555,677)	(23,148,133)
Effect of exchange rate changes on cash and cash equivalents		(162,097)	51,318
Cash and cash equivalents at the end of the period	15.1	(17,607,365)	(20,189,864)

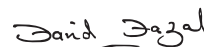
The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

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

For the Six-Month Period Ended December 31, 2021

1. Status and nature of business

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

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

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

These unconsolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2021. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Company's financial position and performance since the last annual financial statements.

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

3. Significant accounting policies

- 3.1** The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended

June 30, 2021 except for the estimation of income tax (see note 5) and adoption of new and amended standards as set out in note 3.2.

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

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

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

4. Accounting estimates

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

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Company for the year ended June 30, 2021, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 5.

5 Taxation

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

December 31, 2021	June 30, 2021
Un-audited	audited
(Rupees in thousand)	

6. Long term financing - secured

Long term loans	- note 6.1	19,453,439	20,679,530
Loans under refinance scheme	- note 6.2	4,593,441	4,751,237
		24,046,880	25,430,767
Current portion shown under current liabilities		(6,675,656)	(6,130,703)
		17,371,224	19,300,064

December 31,	June 30,
2021	2021
Un-audited	audited
(Rupees in thousand)	

6.1 The reconciliation of the carrying amount is as follows:

Opening balance	20,679,530	23,412,283
Disbursements during the period/year	1,500,000	3,432,201
Repayments during the period/year	(2,726,091)	(6,164,954)
Closing balance	19,453,439	20,679,530
Current portion shown under current liabilities - note 8	(5,660,517)	(5,323,017)
	13,792,922	15,356,513

6.2 The reconciliation of the carrying amount is as follows:

Balance as at beginning of the period - gross	5,678,264	570,338
Disbursements during the period/year	-	5,394,256
Repayments during the period/year	(286,330)	(286,330)
	5,391,934	5,678,264
Unamortized deferred grant - note 7	(798,493)	(927,027)
Closing balance	4,593,441	4,751,237
Current portion shown under current liabilities - note 8	(1,015,139)	(807,686)
	3,578,302	3,943,551

7. Deferred government grant

The reconciliation of the carrying amount is as follows:

Opening balance	927,027	-
Deferred grant recognized during the period/year	-	1,065,766
Credited to profit or loss	(128,534)	(138,739)
	798,493	927,027
Current portion shown under current liabilities - note 8	(242,713)	(262,523)
Closing balance	555,780	664,504

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

8. Current portion shown under current liabilities comprise of:

Long term loans - note 6.1	5,660,517	5,323,017
Loans under refinance scheme - note 6.2	1,015,139	807,686
Accumulating compensated absences	37,489	40,717
Deferred government grant - note 7	242,713	262,523
	6,955,858	6,433,943

9. Contingencies and commitments

9.1 Contingencies

There is no significant change in contingencies from the preceding annual unconsolidated financial statements of the Company for the year ended June 30, 2021 except for the notes 16.1.6 and 16.1.7 to the annual unconsolidated financial statements which are as follows:

9.1.1 On January 18, 2021, the Commissioner Inland Revenue (Appeals) ('CIR(A)') passed orders ratifying the earlier demand of Deputy Commissioner Inland Revenue ('DCIR') whereby input sales tax claimed, mainly on building/construction material and vehicles, for the tax periods from June 2016 to July 2017 aggregating Rs 332.817 million was disallowed to the Company. Further, the default surcharge imposed thereon by the DCIR, was also upheld by CIR(A). The Company filed appeals against such orders before the Appellate Tribunal Inland Revenue ('ATIR'). Regarding demand of Rs 300.044 million, through order dated October 22, 2021, the ATIR while disapproving the action of the authorities below, has annulled the relevant orders and has directed the department to adjudicate the matter afresh strictly in the light of related ratio decided by Lahore High Court. Such remand proceedings have not yet been taken up for adjudication by the DCIR. Appeal against the order creating the remaining sales tax demand of Rs 32.773 million has not been taken up for adjudication.

With respect to similar sales tax demand of Rs 163.711 million (along with default surcharge and penalty) raised by the DCIR against the Company in respect of tax periods of July 2016 to June 2017, mainly on account of disallowance of input tax claimed on building materials, provincial sales tax on services etc., CIR(A) through appellate order dated December 3, 2021 annulled the said action and by principally following the ratio settled by ATIR through order dated October 22, 2021, remitted the matter to the department for adjudication afresh in the same terms and in the light of relevant factual/legal position. Such remand proceedings have not yet been taken up for adjudication by the DCIR.

Further, during the period on August 31, 2021, the Lahore High Court has granted interim relief to the Company in respect of a writ petition filed by the Company to challenge a showcause notice issued by the DCIR dated July 02, 2021, whereby, it was alleged that the Company had claimed inadmissible input tax for the periods from July 2018 to December 2020 aggregating Rs 1,384.644 million primarily related to similar items as above such as building materials.

As per management, meritorious grounds exist to support the position that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Company. Therefore, such credit of input sales tax has not been reversed in these financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives litigation is expected to accrue. Consequently, no provision has been made in these financial statements on this account.

9.1.2 The DCIR has passed an order dated August 20, 2021 for tax periods July 2017 to June 2018, whereby, a demand has been raised for recovery of sales tax of Rs 5,795.981 million, including applicable default surcharge and penalty (amounting to Rs 275.999 million) imposed under sections 34 and 33(5) of the Sales Tax Act, 1990 respectively. The demand has been raised mainly on account of alleged suppression of production and sales of cement and disallowance of input sales tax on various goods and services (including that related to fixed assets and building materials). For these tax periods, a Federal Excise Duty ('FED') demand of Rs 2,884.751 million, along with applicable default surcharge and penalty has also

been raised by the DCIR on November 30, 2021 under relevant provisions of the Federal Excise Act, 2005 solely on account of alleged suppression of production and sales of cement on bases identical to those framed through order dated August 20, 2021. The Company has preferred an appeal before the CIR(A) against the said orders, which have not yet been taken up for adjudication. The management, on the basis of consultation with its legal counsel, considers that meritorious grounds exist to defend the company's stance and that such sales tax and FED demands are not likely to sustain appellate review by appellate authorities. Consequently, no provision has been created in these financial statements on this account.

9.2 Commitments in respect of:

- (i) Contracts for capital expenditure aggregating Rs 245.773 million (June 30, 2021: Rs 552.595 million).
- (ii) Letters of credit for capital expenditure aggregating Rs 74.362 million (June 30, 2021: Rs 28.431 million)
- (iii) Letters of credit other than capital expenditure aggregating Rs 1,804.771 million (June 30, 2021: Rs 947.978 million)

December 31,	June 30,
2021	2021
Un-audited	audited
(Rupees in thousand)	

10. Property, plant and equipment

Operating fixed assets	- note 10.1	82,594,118	77,140,261
Capital work-in-progress	- note 10.2	1,348,621	7,726,720
Major spare parts and stand-by equipment		145,189	153,128
		84,087,928	85,020,109

10.1 Operating fixed assets

Opening book value		77,140,261	76,986,536
Additions during the period/year	- note 10.1.1	7,368,577	3,758,015
		84,508,838	80,744,551
Disposals during the period/year - at book value		(3,528)	(23,483)
Depreciation charged for the period/year		(1,911,192)	(3,580,807)
		(1,914,720)	(3,604,290)
Closing book value		82,594,118	77,140,261

	December 31,	June 30,
	2021	2021
	Un-audited	audited
	(Rupees in thousand)	

10.1.1 Additions during the period/year

Freehold land	3,158	-
Buildings on freehold land:		
- Factory buildings	945,054	405,065
- Office building and housing colony	51,708	338,324
Roads	79,519	14,221
Plant and machinery	6,174,895	2,853,206
Quarry equipment	2,282	44,764
Furniture and fittings	8,100	20,538
Office equipment	12,464	17,519
Vehicles	49,397	54,535
Power and water supply lines	42,000	9,843
	7,368,577	3,758,015

10.2 Capital work-in-progress

Civil works	617,025	1,457,071
Plant and machinery	606,645	5,864,018
Advances to suppliers and contractors	31,455	84,336
Others	93,496	321,295
	1,348,621	7,726,720

11. Intangible asset

Opening book value	-	-
Additions during the period / year	21,500	-
Amortization charged during the period / year	(596)	-
Closing book value	20,904	-

12. Investments

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

	December 31, 2021	June 30, 2021
	Un-audited	audited
	(Rupees in thousand)	
Carrying value of investments at the beginning of the period/year	15,965,811	11,849,828
Investments made during the period/year	-	201,230
	15,965,811	12,051,058
Fair value gain/(loss) recognized in other comprehensive income	(1,104,438)	3,914,753
Carrying value at the end of the period/year	14,861,373	15,965,811

13. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount was recovered in full on December 23, 2021. It carried markup at the rate of 1 month KIBOR + 1% per annum. The effective markup rate charged during the period was 8.94% per annum which is above the borrowing cost of the Company. Reconciliation of the carrying amount is as follows:

	December 31, 2021	June 30, 2021
	Un-audited	audited
	(Rupees in thousand)	
Opening balance	765,000	765,000
Less: Receipts during the period/year	765,000	-
Closing balance	-	765,000

14. Transactions with related parties

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

Relationship with the Company	Nature of transaction	July to December 2021	July to December 2020
		Un-audited	Un-audited
(Rupees in thousand)			
i. Subsidiary entities	Purchase of goods and services	1,147,843	1,056,722
	Rental income	483	464
	Dividend income	38,393	-
	Sale of goods	36,934	12,825
ii. Investor	Purchase of goods and services	142	54
	Sale of goods	52,308	14,894
	Dividend income	121,158	121,158
	Dividends paid	137,574	-
iii. Other related entities	Insurance premium	127,237	109,000
	Sale of goods	47,852	4,132
	Dividend income	1,049,823	34,847
	Dividends paid	35,189	-
	Purchase of goods and services	27,713	5,577
	Mark-up income on balances with related parties	32,519	32,331
	Insurance claims received	-	9,116
	Purchase of shares	-	176,107
iv. Key management personnel	Salaries and other personnel employment benefits	121,716	106,122
	Dividend paid	39,943	-
v. Post employment benefit plans	Expense charged in respect of defined benefit plan	84,486	85,513
	Expense charged in respect of defined contribution plan	53,750	47,753

	December 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	

Period/year end balances

Payable to related parties

Trade and other payables

972,776

933,524

Receivable from related parties

Trade debts

158,528

16,222

Other receivables

5,004

5,004

Mark-up receivable from related party

4,846

5,363

168,378

26,589

	July to December 2021	2020
	Un-audited	Un-audited
	(Rupees in thousand)	

15. Cash generated from operations

Profit before tax

2,860,665

918,846

Adjustments for non-cash charges and other items:

- Depreciation on operating fixed assets

1,911,192

1,763,606

- Amortization of intangible asset

597

-

- Gain on disposal of operating fixed assets

(5,472)

(3,614)

- Net impairment losses/(gains) on financial assets

38,764

(30,888)

- Dividend income

(1,212,733)

(164,101)

- Provision for retirement benefits

88,817

85,513

- Mark-up income

(32,519)

(32,331)

- Exchange loss/(gain)

247,133

(12,785)

- Finance cost

1,537,950

1,528,903

Profit before working capital changes

5,434,394

4,053,149

Effect on cash flow due to working capital changes:

- Increase in stores, spare parts and loose tools

(319,960)

(245,691)

- (Increase)/decrease in stock-in-trade

(1,670,629)

1,629,311

- (Increase)/decrease in trade debts

(258,290)

464,495

- Decrease in loans, advances, deposits,
prepayments and other receivables

239,697

127,427

- Decrease in trade and other payables

(87,265)

(975,463)

(2,096,447)

1,000,079

3,337,947

5,053,228

December 31, 2021	June 30, 2021
Un-audited	audited
(Rupees in thousand)	

15.1 Cash and cash equivalents

Short term borrowings - secured	(19,464,963)	(22,044,650)
Cash and bank balances	1,857,598	1,854,786
	<u>(17,607,365)</u>	<u>(20,189,864)</u>

16. Financial risk management

16.1 Financial risk factors

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2021.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2021.

15.2 Fair value estimation

a) Fair value hierarchy

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

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

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed above. The following table presents the Company's financial assets measured and recognised at fair value at December 31, 2021 and June 30, 2021 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at December 31, 2021				
Recurring fair value measurements				
Assets				
Investments - FVOCI	19,635,339	-	5,227,724	24,863,063

As at June 30, 2021

Assets				
Investments - FVOCI	20,792,446	-	5,700,229	26,492,675

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

The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2021.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

c) Fair value measurements using significant unobservable inputs

Investment in Nishat Hotels and Properties Limited

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

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

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

- Discount rate of 11.06%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs is linked to inflation at 6.03% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 321.875 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 242.708 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 15.625 million lower.

Investment in Hyundai Nishat Motor (Private) Limited

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

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

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

- Discount rate of 18.52%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 5% per annum and revenues are linked to currency devaluation at 5% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 247.619 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 139.463 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 710.599 million higher.

December 31, 2021	June 30, 2021
Un-audited	audited
(Rupees in thousand)	

17. Disclosures by Company Listed on Islamic Index

Loans/advances obtained as per Islamic mode:

Loans obtained as per Islamic mode

4,099,606

6,428,254

Shariah compliant bank deposits/bank balances:

Bank balances

17,399

21,503

Six Months Ended

December 31, 2021	December 31, 2020
Un-audited	Un-audited
(Rupees in thousand)	

Profit earned from shariah compliant bank deposits/bank balances

Profit on deposits with banks

158

252

Revenue earned from shariah compliant business

27,434,482

21,862,581

Gain/(loss) or dividend earned from shariah complaint investments

Dividend income

121,158

121,980

Exchange (loss)/gain

(247,134)

12,785

Mark-up paid on Islamic mode of financing

149,815

210,725

Profits earned or interest paid on any conventional loan or advance

Profit earned on loan to related party

32,519

32,331

Profit earned on deposits with banks

2,101

1,527

Interest paid on loans

1,366,072

1,406,444

Relationship with shariah compliant banks

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

18. Date of authorization for issue

These unconsolidated condensed interim financial statements were authorized for issue on February 18, 2022 by the Board of Directors of the Company.

19. Corresponding figures


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



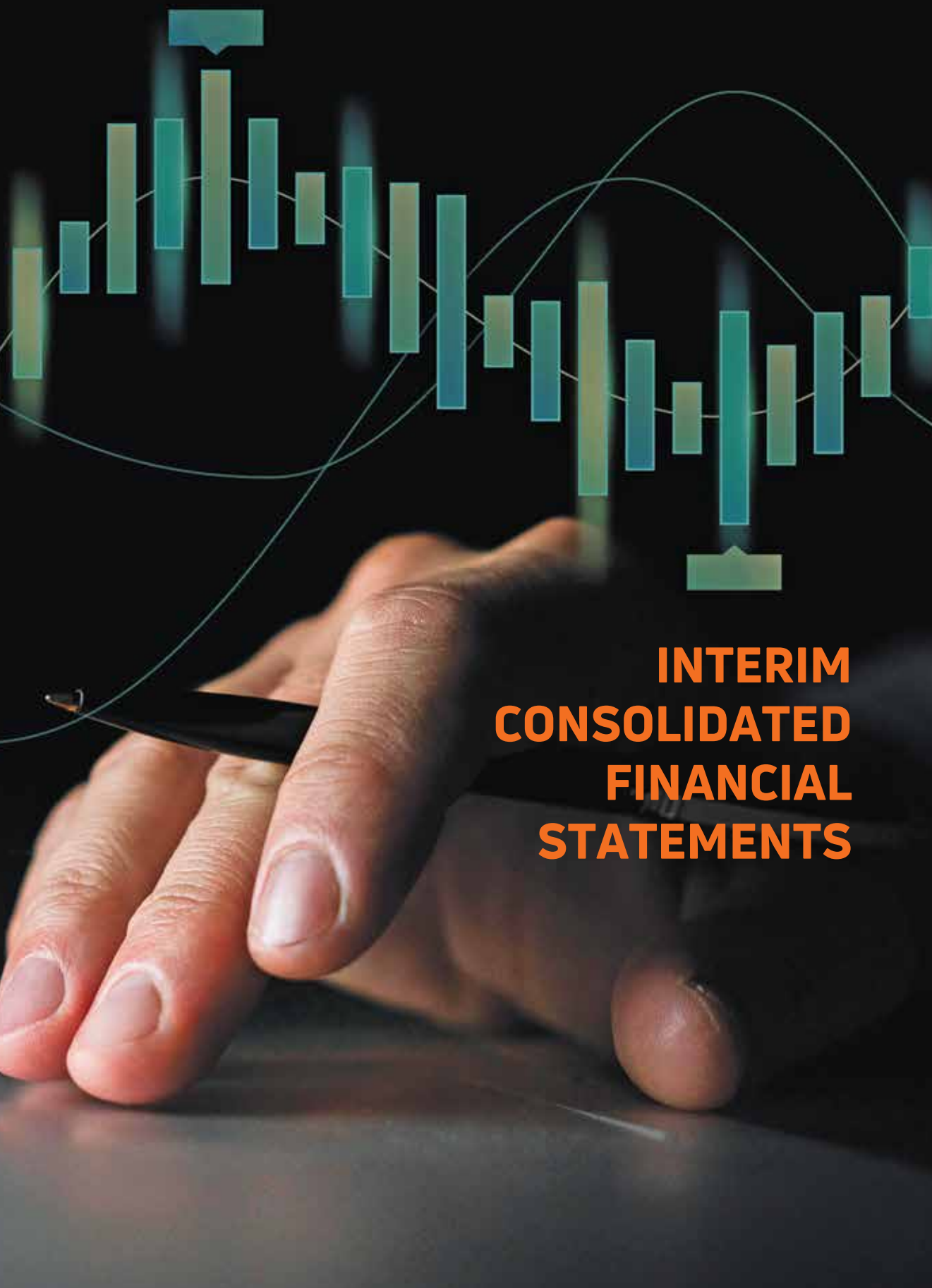
Chief Executive



Chief Financial Officer



Director



**INTERIM
CONSOLIDATED
FINANCIAL
STATEMENTS**

Consolidated Condensed Interim Statement of Financial Position

		31 December, 2021	30 June, 2021
	Note	Un-Audited	Audited
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2021 : 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2021:50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up share capital 438,119,118 (2021:438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		28,692,585	30,223,348
Un-appropriated profit		40,965,749	39,089,297
Attributable to owners of the parent company		74,039,525	73,693,836
Non-controlling interest		2,291,638	2,182,351
		76,331,163	75,876,187
NON-CURRENT LIABILITIES			
Long term finances - secured	5	17,888,198	19,821,227
Deferred government grant	6	555,913	664,636
Long term deposits		244,276	246,992
Deferred liabilities		564,386	530,803
Deferred taxation		3,757,855	3,784,340
		23,010,628	25,047,998
CURRENT LIABILITIES			
Trade and other payables		14,562,754	14,747,002
Accrued markup		726,022	553,468
Short term borrowing-secured		22,161,211	20,939,726
Loan from related party - unsecured		154,000	214,000
Current portion of non-current liabilities		7,175,098	6,654,320
Unclaimed dividend		34,631	33,517
Provision for taxation		35,090	35,090
		44,848,806	43,177,123
Contingencies and Commitments	7	144,190,597	144,101,308

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



Chief Executive

As At December 31, 2021

		31 December, 2021	30 June, 2021
	Note	Un-Audited	Audited
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	87,659,651	88,584,507
Intangible asset		20,904	-
Biological assets		939,736	877,563
Investments	9	12,651,543	13,718,917
Long term loans to employees		-	4,601
Long term deposits		61,020	57,513
		101,332,854	103,243,101
CURRENT ASSETS			
Stores, spares and loose tools		13,883,564	13,102,583
Stock-in-trade		4,767,003	3,682,698
Trade debts		2,226,387	2,570,837
Investments	9	12,421,636	12,946,812
Advances, deposits, prepayments and other receivables		433,266	544,418
Loan to related party	10	-	765,000
Contract assets		146,268	113,862
Income tax recoverable		5,441,875	5,233,271
Cash and bank balances		3,537,744	1,898,726
		42,857,743	40,858,207
		144,190,597	144,101,308



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Six Months Period ended December 31, 2021 (Un-audited)

	2021		2020	
	July to	October to	July to	October to
	December	December	December	December
	(Rupees in thousand)		(Rupees in thousand)	
Sales	29,142,508	17,148,617	23,664,935	12,323,083
Cost of sales	(23,815,378)	(14,213,323)	(19,887,854)	(9,671,887)
Gross profit	5,327,130	2,935,294	3,777,081	2,651,196
Administrative expenses	(433,092)	(215,154)	(351,706)	(178,324)
Selling and distribution expenses	(1,013,100)	(694,741)	(993,687)	(383,932)
Net impairment (losses)/gain on financial assets	(38,764)	(38,764)	30,888	30,888
Other expenses	(410,109)	(138,297)	(137,633)	(56,261)
Changes in fair value of biological assets	170,483	71,837	179,384	73,724
Other income	1,283,204	725,966	363,891	253,558
Finance cost	(1,629,164)	(846,577)	(1,636,465)	(805,724)
Profit before taxation	3,256,588	1,799,564	1,231,753	1,585,125
Taxation	(797,978)	(472,084)	(219,645)	(279,362)
Profit for the period	2,458,610	1,327,480	1,012,108	1,305,763
Attributable to :				
Equity holders of the parent	2,314,571	1,292,062	911,317	1,233,927
Non-controlling interest	144,039	35,418	100,791	71,836
	2,458,610	1,327,480	1,012,108	1,305,763
Earnings/(loss) per share (basic and diluted - in Rupees)	5.61	3.03	2.31	2.98

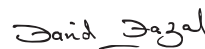
The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Six Months Period ended December 31, 2021 (Un-audited)

	2021		2020	
	July to December	October to December	July to December	October to December
	(Rupees in thousand)		(Rupees in thousand)	
Profit/(loss) for the period	2,458,610	1,327,480	1,012,108	1,305,763
Other comprehensive income / (loss) for the period				
Items that may be re-classified subsequently to profit or loss:	-	-	-	-
Items that will not be subsequently re-classified to profit or loss:				
Change in fair value of investments at fair value through other comprehensive income (OCI)- net of tax	(1,534,102)	(325,346)	3,457,396	1,272,366
Other comprehensive income / (loss) for the period	(1,534,102)	(325,346)	3,457,396	1,272,366
Total comprehensive income for the period	924,508	1,002,134	4,469,504	2,578,129
Attributable to :				
Equity holders of parent	783,808	965,222	4,359,172	2,501,445
Non-controlling interest	140,700	36,912	110,332	76,684
	924,508	1,002,134	4,469,504	2,578,129

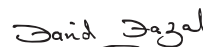
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Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Changes In Equity

For the Six-Month Period ended December 31, 2021 (Un-audited)

	Capital reserve					Revenue reserve			Total equity attributable to shareholders of parent company	Non-controlling interest	Total equity
	Share capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated profits					
Balance as at June 30, 2020 - Audited	4,381,191	4,557,163	17,150,139	353,510	5,110,851	35,104,580	66,657,434	2,016,356	68,673,790		
Total comprehensive income for the period	-	-	-	-	-	911,317	911,317	100,791	1,012,108		
- Loss for the period	-	-	-	-	-	-	-	-	-		
- Other comprehensive income for the period	-	-	-	-	-	-	-	-	-		
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	3,447,855	-	-	-	3,447,855	9,541	3,457,396		
	-	-	3,447,855	-	-	-	4,359,172	110,332	4,469,504		
Balance as at December 31, 2020 - Unaudited	4,381,191	4,557,163	20,597,994	353,510	5,110,851	36,015,897	71,016,606	2,126,688	73,143,294		
Balance as at June 30, 2021 - Audited	4,381,191	4,557,163	20,201,824	353,510	5,110,851	39,089,297	73,693,836	2,182,351	75,876,187		
Total comprehensive income for the period	-	-	-	-	-	-	2,314,571	144,039	2,458,610		
- Profit for the period	-	-	-	-	-	-	2,314,571	144,039	2,458,610		
- Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-		
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(1,530,763)	-	-	-	(1,530,763)	(3,339)	(1,534,102)		
	-	-	(1,530,763)	-	-	-	783,808	140,700	924,508		
Transactions with owners in their capacity as owners recognised directly in equity											
Dividend relating to year 2021 paid to non-controlling interest	-	-	-	-	-	-	-	(31,413)	(31,413)		
Final dividend for the year ended June 30, 2021 (Rs 1 per share)	-	-	-	-	-	-	(438,119)	-	(438,119)		
Balance as at December 31, 2021 - Unaudited	4,381,191	4,557,163	18,671,061	353,510	5,110,851	40,965,749	74,039,525	2,291,638	76,331,163		

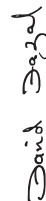
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Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Cash Flows

For the Six-Month Period ended December 31, 2021 (Un-audited)

	Note	2021 July to December (Rupees in thousand)	2020 July to December
Cash flows from operating activities			
Cash generated from operations	12	3,983,572	6,167,813
Finance cost paid		(1,456,611)	(1,768,732)
Retirement and other benefits paid		(58,462)	(63,227)
Income tax paid		(930,135)	(469,481)
Long term deposits - net		(2,716)	(13,436)
Net cash inflows from operating activities		1,535,648	3,852,937
Cash flows from investing activities			
Payments for property, plant and equipment		(1,112,823)	(2,566,201)
Proceeds from disposal of property, plant and equipment		10,353	8,735
Long term loans, advances and deposits - net		(3,507)	425
Proceeds from sale of biological assets		68,570	99,850
Purchases of intangible assets		(21,500)	-
Recovery of loan from related party		765,000	-
Investment in equity instruments		(44,485)	(180,327)
Interest received		41,473	34,376
Dividend received		1,224,107	164,101
Net cash inflow/(outflow) from investing activities		927,188	(2,439,041)
Cash flows from financing activities			
Repayment of long term finances		(3,121,885)	-
Proceeds from long term finances		1,605,000	2,540,569
Repayment of loan to related party		(60,000)	-
Dividend paid		(468,418)	(362)
Net cash inflow/(outflow) from financing activities		(2,045,303)	2,540,207
Net increase in cash and cash equivalents		417,533	3,954,103
Cash and cash equivalents at the beginning of the year		(19,041,000)	(25,161,534)
Cash and cash equivalents at the end of period	13	(18,623,467)	(21,207,431)

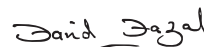
The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

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

For the Six-Month Period ended December 31, 2021 (Un-audited)

1. Legal status and nature of business

The group comprises of:

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

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

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

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

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

Effective percentage of holding

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

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

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

These consolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2021. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Group's financial position and performance since the last annual financial statements.

3. Significant accounting policies

- 3.1** The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2021 except for adoption of new and amended standards as set out in note 3.2 and 3.3

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 International Financial Reporting Standards (IFRS) are effective for accounting periods beginning on July 1, 2021, but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

4. Accounting estimates

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

In preparing these consolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Group for the year ended June 30, 2021, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 4.1.

4.1 Taxation

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

December 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

5. Long term finances

Long term loans	- note 5.1	24,783,225	26,170,436
Current portion shown under current liabilities		(6,895,027)	(6,349,209)
		17,888,198	19,821,227

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

Opening balance		27,098,736	24,728,690
Disbursements during the period		1,605,000	8,864,661
Repayment during the period		(3,121,885)	(6,494,615)
		25,581,851	27,098,736
Unamortized liability	- note 5.1.1	(798,626)	(928,300)
Closing balance		24,783,225	26,170,436

5.1.1 The reconciliation of the carrying amount of unamortized liability is as follows:

Opening balance		928,300	-
Deferred grant recognized during the period		-	1,071,316
Unwinding of discount on liability		(129,674)	(143,016)
Closing balance		798,626	928,300

6. Deferred income - Government grant

This represents deferred grant recognized in respect of the benefit of below-market interest rate under State Bank of Pakistan's Islamic Refinance Scheme for Payment of Wages & Salaries and Islamic Temporary Economic Refinance Facility (ITERF). The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The Group has used the prevailing market rate of mark-up for similar instruments to calculate fair values of respective loans.

	December 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Deferred income - government grant as at	798,626	929,030
Current portion shown under current liabilities	(242,713)	(264,394)
	555,913	664,636

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

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, 2021 except for:

- (i) A guarantee to Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs. 144.727 million (June 30, 2021: Rs 97.64 million).
- (ii) On January 18, 2021, the Commissioner Inland Revenue (Appeals) ('CIR(A)') passed orders ratifying the earlier demand of Deputy Commissioner Inland Revenue ('DCIR') whereby input sales tax claimed, mainly on building/construction material and vehicles, for the tax periods from June 2016 to July 2017 aggregating Rs 332.817 million was disallowed to the Group. Further, the default surcharge imposed thereon by the DCIR, was also upheld by CIR(A). The Group filed appeals against such orders before the Appellate Tribunal Inland Revenue ('ATIR'). Regarding demand of Rs 300.044 million, through order dated October 22, 2021, the ATIR while disapproving the action of the authorities below, has annulled the relevant orders and has directed the department to adjudicate the matter afresh strictly in the light of related ratio decided by Lahore High Court. Such remand proceedings have not yet been taken up for adjudication by the DCIR. Appeal against the order creating the remaining sales tax demand of Rs 32.773 million has not been taken up for adjudication.

With respect to similar sales tax demand of Rs 163.711 million (along with default surcharge and penalty) raised by the DCIR against the Group in respect of tax periods of July 2016 to June 2017, mainly on account of disallowance of input tax claimed on building materials, provincial sales tax on services etc., CIR(A) through appellate order dated December 3, 2021 annulled the said action and by principally following the ratio settled by ATIR through order dated October 22, 2021, remitted the matter to the department for adjudication afresh in the same terms and in the light of relevant factual/legal position. Such remand proceedings have not yet been taken up for adjudication by the DCIR.

Further, during the period on August 31, 2021, the Lahore High Court has granted interim relief to the Group in respect of a writ petition filed by the Group to challenge a showcause notice issued by the DCIR dated July 02, 2021, whereby, it was alleged that the Group had claimed inadmissible input tax for the periods from July 2018 to December 2020 aggregating Rs 1,384.644 million primarily related to similar items as above such as building materials.

As per management, meritorious grounds exist to support the position that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Group. Therefore, such credit of input sales tax has not been reversed in these financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives litigation is expected to accrue. Consequently, no provision has been made in these financial statements on this account.

- (iii) The DCIR has passed an order dated August 20, 2021 for tax periods July 2017 to June 2018, whereby, a demand has been raised for recovery of sales tax of Rs 5,795.981 million, including applicable default surcharge and penalty (amounting to Rs 275.999 million) imposed under sections 34 and 33(5) of the Sales Tax Act, 1990 respectively. The demand has been raised mainly on account of alleged suppression of production and sales of cement and disallowance of input sales tax on various goods and services (including that related to fixed assets and building materials). For these tax periods, a Federal Excise Duty ('FED') demand of Rs 2,884.751 million, along with applicable default surcharge and penalty has also been raised by the DCIR on November 30, 2021 under relevant provisions of the Federal Excise Act, 2005 solely on account of alleged suppression of production and sales of cement on bases identical to those framed through order dated August 20, 2021. The Group has preferred an appeal before the CIR(A) against the said orders, which have not yet been taken up for adjudication. The management, on the basis of consultation with its legal counsel, considers that meritorious grounds exist to defend the Group's stance and that such sales tax and FED demands are not likely to sustain appellate review by appellate authorities. Consequently, no provision has been created in these financial statements on this account.

7.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 245.773 million (June 30, 2021: Rs 552.595 million).
- (ii) Letters of credit for capital expenditure Rs 74.362 (June 30, 2021: Rs 138.606 million).
- (iii) Letters of credit other than capital expenditure Rs 1,804.771 million (June 30, 2021: Rs 996.70 million).

December 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

8. Property, plant and equipment

Operating Assets	-note 8.1	86,165,355	80,610,944
Capital work-in-progress	-note 8.2	1,349,107	7,820,435
Major spare parts and stand-by equipment		145,189	153,128
		87,659,651	88,584,507

	December 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
8.1 Operating assets		
Opening book value	80,610,944	80,612,174
Add: Additions during the period/ year	7,592,090	3,840,504
	88,203,034	84,452,678
Less: Disposals during the period/ year - net book value	4,784	23,951
Depreciation charged during the period/ year	2,032,895	3,817,783
	2,037,679	3,841,734
Closing book value	86,165,355	80,610,944
8.1.1 Major additions during the period		
Free hold land	105,053	-
Building on freehold land	945,054	420,396
Office building and housing colony	51,708	338,325
Roads	79,519	14,222
Plant and machinery	6,238,349	2,886,706
Quarry equipment	2,282	20,538
Furniture, fixtures and equipment	21,999	65,586
Motor vehicles	106,100	84,538
Power and water supply lines	42,026	10,193
	7,592,090	3,840,504
8.2 Capital work-in-progress		
Civil works	617,511	1,548,573
Plant and machinery	606,645	5,866,231
Advances to suppliers and contractors	31,455	84,336
Others	93,496	321,295
	1,349,107	7,820,435

9. Investments

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

	December 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Carrying value of investments at the beginning of the period/year	15,965,811	11,849,828
Investments made during the period/year	-	201,230
Fair value gain/loss recognized in other comprehensive income	(1,104,438)	3,914,753
Carrying value at the end of the period/year	<u>14,861,373</u>	<u>15,965,811</u>

10. Loan to related party

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount was recovered in full on December 23, 2021. It carried markup at the rate of 1 month KIBOR + 1% per annum. The effective markup rate charged during the period was 8.94% per annum which is above the borrowing cost of the Group.

11. Transactions with related parties

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

		July to December 2021	July to December 2020
		Un-audited	Un-audited
		(Rupees in thousand)	
Relationship with the Group	Nature of transaction		
Other related parties	Purchase of goods and services	122,138	46,518
	Purchase of shares	-	180,328
	Insurance premium	132,646	113,653
	Sale of goods	191,765	20,441
	Mark-up income	32,519	32,331
	Insurance claims received	-	9,116
	Dividends paid	201,888	-
	Dividend income	1,182,355	156,005
Key Management personnel	Salaries and other employment benefits	139,047	106,122
	Dividend paid	42,231	-
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	154,771	147,538

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

	July to December	
	2021	2020
	Un-audited	Un-audited
	(Rupees in thousand)	

12. Cash flow from operating activities

Profit before tax	3,256,588	1,231,753
Adjustment for :		
- Depreciation on property, plant and equipment	2,032,895	1,881,413
- Amortization on intangible assets	596	-
- Gain on disposal of operating fixed assets	(5,569)	(4,573)
- Net loss on disposal of biological assets	39,740	50,736
- Net Impairment/(reversal of impairment) losses on financial assets	38,764	(30,888)
- Gain on changes in fair value biological asset	(170,483)	(179,384)
- (Gain)/loss on changes in fair value of investment through P&L	1	(7)
- Dividend income	(1,224,107)	(164,101)
- Retirement and other benefits accrued	88,817	99,785
- Markup income	(41,473)	(33,982)
- Exchange loss /(gain) - net	253,659	(735)
- Finance cost	1,629,165	1,636,465
Profit before working capital changes	5,898,593	4,486,482
Working capital changes		
- Increase in stores, spares and loose tools	(780,981)	(242,689)
- (Increase)/decrease in stock-in-trade	(1,084,305)	1,796,509
- Decrease in trade debts	305,686	1,298,255
- Increase in contract assets	(32,406)	(3,331)
- Decrease in advances, deposits, prepayments and other receivables	115,753	381,858
- Decrease in trade and other payables	(438,768)	(1,549,271)
Net working capital changes	(1,915,021)	1,681,331
Cash (used in)/ generated from operations	3,983,572	6,167,813

13. Cash and cash equivalents

Short term borrowings - secured	(22,161,211)	(23,886,227)
Cash and bank balances	3,537,744	2,678,796
	(18,623,467)	(21,207,431)

14. Financial risk management

14.1 Financial risk factors

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

The consolidated condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at June 30, 2021.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2021.

14.2 Fair value estimation

a) Fair value hierarchy

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

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

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed above. The following table presents the Group's financial assets measured and recognised at fair value at June 30, 2021 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at December 31, 2021				
Recurring fair value measurements				
Assets				
Investments - FVOCI	10,211,782	-	14,861,373	25,073,155
Investments - FVPL	24	-	-	24
Biological assets	-	-	939,736	939,736
As at June 30, 2021				
Assets				
Investments - FVOCI	10,699,892	-	15,965,811	26,665,703
Investments - FVPL	26	-	-	26
Biological assets	-	-	877,563	877,563

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

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2021.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

c) Fair value measurements using significant unobservable inputs

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

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

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

- Discount rate of 11.06%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs is linked to inflation at 6.03% per annum.

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

- Discount rate of 18.52%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 5% per annum and revenues are linked to currency devaluation at 5% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 321.875 million and Rs 247.619 million lower for NHPL and HNMPL respectively.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 242.708 million lower and Rs 139.463 lower for NHPL and HNMPL respectively.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2021 would be Rs 15.625 million lower and Rs 710.599 million higher for NHPL and HNMPL respectively.

15. Operating segments

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

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

Type of segments Nature of business

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

15.1 Segment analysis and reconciliation - condensed

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

Rupees in thousands	Cement		Paper		Dairy/Farm		Elimination - net		Consolidated	
	July to December 2021 un-audited	July to December 2020 un-audited	July to December 2021 un-audited	July to December 2020 un-audited	July to December 2021 un-audited	July to December 2020 un-audited	July to December 2021 un-audited	July to December 2020 un-audited	July to December 2021 un-audited	July to December 2020 un-audited
Revenue from										
- External Customers	27,434,206	21,862,135	444,195	902,388	1,264,107	900,412	-	-	29,142,508	23,664,935
- Inter-group	276	446	1,147,843	1,056,722	-	-	(1,148,119)	(1,057,168)	-	-
	27,434,482	21,862,581	1,592,038	1,959,110	1,264,107	900,412	(1,148,119)	(1,057,168)	29,142,508	11,341,852
Segment gross profit/(loss)	4,858,023	3,413,497	465,039	446,276	79,207	(26,312)	(75,139)	(56,380)	5,327,130	3,777,081
Segment expenses	(1,751,810)	(1,319,372)	(58,072)	(43,366)	(85,161)	(89,400)	(22)	-	(1,895,065)	(1,452,138)
Changes in fair value of biological assets	-	-	-	-	170,483	179,384	-	-	170,483	179,384
Other income	1,292,402	353,624	21,645	2,098	8,033	8,631	(38,876)	(462)	1,283,204	363,891
Financial charges	(1,537,950)	(1,528,903)	(88,956)	(105,080)	(2,258)	(2,482)	-	-	(1,629,164)	(1,636,465)
Taxation	(683,588)	(117,980)	(98,500)	(88,042)	(15,890)	(13,623)	-	-	(797,978)	(219,645)
Profit/(loss) after taxation	2,177,077	800,866	241,156	211,886	154,414	56,198	(114,037)	(56,842)	2,458,610	1,012,108
Depreciation	1,911,192	1,763,606	30,957	29,740	76,917	74,238	13,829	13,829	2,032,895	1,881,413
Capital expenditure	(982,539)	(2,550,956)	(720)	-	(129,564)	(15,245)	-	-	(1,112,823)	(2,566,201)
Net cash (outflow) / inflow from operating activities	1,047,612	2,935,061	696,845	706,044	(77,458)	(192,999)	(131,351)	404,831	1,535,648	3,852,937
Net cash outflow from investing activities	1,012,223	(2,522,451)	(30,662)	(4,172)	(59,641)	85,980	5,268	1,602	927,188	(2,439,041)
<i>Rupees in thousands</i>	31.12.2021 un-audited	30.06.2021 audited	31.12.2021 un-audited	30.06.2021 audited	31.12.2021 un-audited	30.06.2021 audited	31.12.2021 un-audited	30.06.2021 audited	31.12.2021 un-audited	30.06.2021 audited
Segment assets	137,879,601	137,894,697	6,120,860	5,942,936	3,424,866	3,322,951	(3,234,730)	(3,059,276)	144,190,597	144,101,308
Segment liabilities	64,189,451	64,416,824	3,911,068	3,897,073	784,897	837,396	(1,025,982)	(926,172)	67,859,434	68,225,121

15.2 Geographical segments

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

16. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Group on February 18, 2022.

17. Corresponding figures


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



Chief Executive



Chief Financial Officer



Director



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