NISHAT

D.G. KHAN CEMENT COMPANY LIMITED
Head Office: Nishat House, 53 - A, Lawrence Road, Lahore - Pakistan.
UAN: (92 - 42) 111 113 333, Tel: (92 - 42) 36360154, Fax: (92 - 42) 36367414
E-mail: info@dgcement.com

D.G. PSX/ October 05, 2020

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
KARACHI.

SUB: **SUBMISSION OF ANNUAL AUDITED ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

Dear Sir,

In compliance with the provisions of Section 237 of the Companies Act 2017, read with PSX Notice No. PSX/N-4207 dated July 13, 2018 and PSX/N-4952 dated August 29, 2018, we are pleased to submit electronically through PUCAR Annual Audited Accounts for the year ended June 30, 2020.

Further please find attached Statement of Free Float of Shares duly signed by the Chief Executive Officer and Company Secretary of the Company along with Independent Reasonable Assurance Report on Statement of Free Float of Shares dated September 09, 2020 issued by A. F. Ferguson & Co., Chartered Accountants, the external auditors of the Company.

Thanking you,

Yours truly,

KHALID MAHMOOD CHOHAN
COMPANY SECRETARY

Encl: As Above

NISHAT

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D. G. KHAN CEMENT COMPANY LIMITED

STATEMENT OF FREE FLOAT OF SHARES

	As of 30 September 2019	As of 31 December 2019	As of 31 March 2020	As of 30 June 2020
Total Outstanding Shares	438,119,118	438,119,118	438,119,118	438,119,118
Less: Government Holdings	(12,796,946)	(13,577,946)	(15,068,446)	(14,018,446)
Less: Shares held by Directors / Sponsors / Senior Management Officers and their associates	(50,720,536)	(50,720,236)	(50,720,236)	(50,720,236)
Less: Shares in Physical Form	(46,442,234)	(46,442,234)	(46,440,472)	(46,437,250)
Less: Shares held by Associate companies / Group Companies **(Cross holdings)**	(118,595,312)	(118,595,312)	(118,595,312)	(118,595,312)
Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	
Less : Treasury Shares	-	-	-	
Less : Any other category that are barred from selling at the review date	-	-	-	
Free Float	**209,564,090**	**208,783,390**	**207,294,652**	**208,347,874**

Basis of Preparation: This Statement is prepared in accordance with the requirements of Regulation No. 5.7.2 (c) (ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations).

Company Secretary **Chief Executive Officer**

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INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES

To the Chief Executive of D. G. Khan Cement Company Limited

1. Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares (the 'Statement') of D. G. Khan Cement Company Limited ('the Company') as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020.

2. Applicable criteria

The criteria against which the Statement is assessed is Regulation No. 5.7.2(b) (ii) of Pakistan Stock Exchange Limited Regulations ('PSX Regulations') which requires every listed Company/ modaraba/mutual fund to submit directly to Pakistan Stock Exchange Limited ('PSX') an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.9(a) of the PSX Regulations.

3. Management's responsibility for the Statement

Management is responsible for the preparation of the Statement as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

4. Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

5. Our responsibility and summary of the work performed

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

KARACHI LAHORE ISLAMABAD

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A·F·FERGUSON&Co.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities & Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulation also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

6. Opinion

In our opinion, the Statement as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 is prepared, in all material respects, in accordance with the PSX Regulations.

7. Restriction on use and distribution

This report is issued in relation to the requirements as stipulated under Regulation No 5.7.2(b)(ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

A.F. Ferguson & Co.
Chartered Accountants

Lahore: September 09, 2020

ANNUAL REPORT 2020

NISHAT

D.G. KHAN CEMENT COMPANY LIMITED

For Investors' Relations:

Mr. Inayat Ullah Niazi – Chief Financial Officer
iniazi@dgcement.com

Mr. Khalid Mahmood Chohan – Company Secretary
kchohan@dgcement.com

D.G. Khan Cement Company Limited
Head Office
Nishat House, 53-A,
Lawrence Road,
Lahore,
Pakistan

UAN:	+92-42-111 11 33 33
Phone:	+92-42-36360154
Fax:	+92-42-36367414
Email:	info@dgcement.com

Group and Company Information 1

Corporate Governance And Reporting 2

External and Internal Analysis 3

Business Performance Review

› 4

Financial Statements

› 5

VISION STATEMENT

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

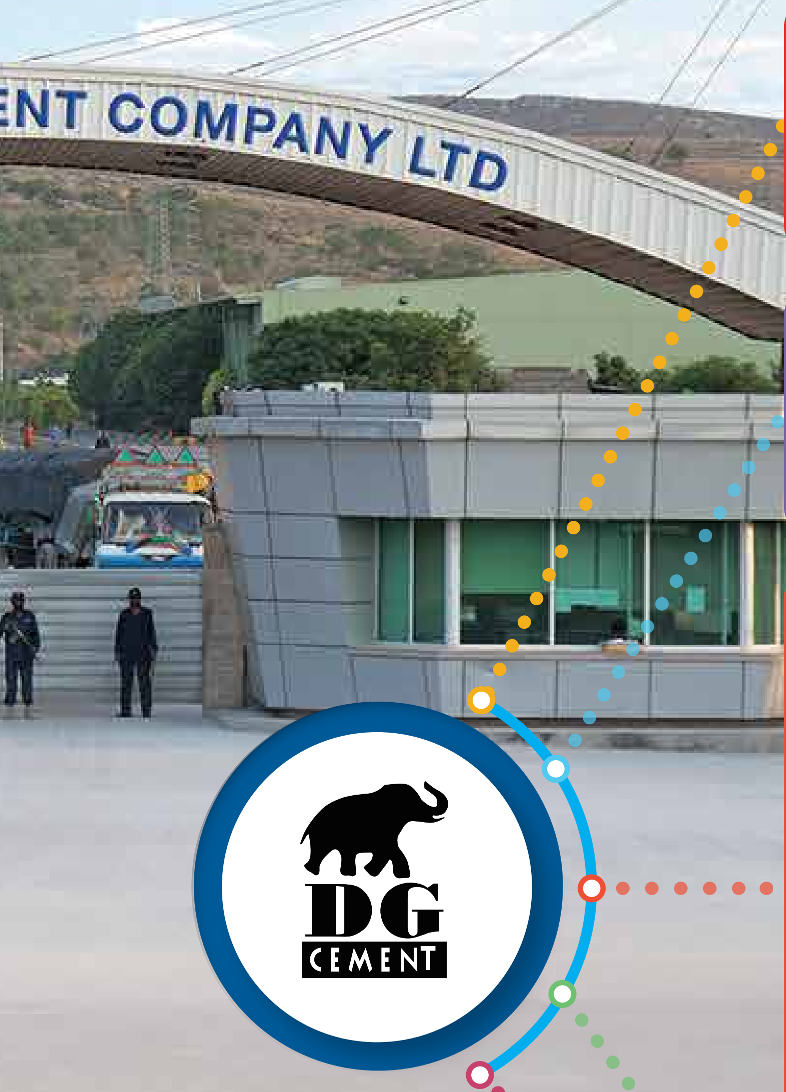
MISSION STATEMENT

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

OVERALL STRATEGIC OBJECTIVES

- To enhance the profitability of the Company and maximize the shareholders' value;
- To increase the overall efficiency and productivity of the Company through continuous BMR, improvement of organizational structure and optimum utilization of Company resources.
- To become the market leader by outshining the competitors and ensure the competitive advantage by new technology.
- To develop the strong and loyal dealers' network and to diversify the exports base through reliable and cost effective product services.
- To develop and promote the brand as 'first choice' among its customers.
- To remain socially and environmentally responsible.

OUR VALUES



Inspiring, Motivating & Compelling

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

Competence

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

Commitment

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

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

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

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

Be Respectful

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

Accountability and Keep Promises

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

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

GROUP PROFILE AND COMPANY INFORMATION

COMPANY INFORMATION

Board of Directors

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

Female Director 01
Male Directors 06

Audit Committee

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

Human Resource & Remuneration Committee

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

Management

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

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

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

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Important Identification Numbers of Company

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

Company Products

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

HS Code

Clinker: 2523.1000 Cement: 2523.2900

Applicable Laws & Regulations

Many laws and regulations apply to the Company including:

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

Company Rating

Long Term: AA -
Outlook: Stable
Rating Date: April 03, 2020
ShortTerm: A1+
Rating Agency: PACRA

Registered Office

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

Factories

Khofli Sattai, Distt., Dera Ghazi Khan-Pakistan
Phone: +92-641-460025-7 Fax: +92-641-462392
Email: dgsite@dgcement.com

12, K.M. Choa Saidan Shah Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal-Pakistan
Phone: +92-543-650215-8 Fax: +92-543-650231

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

Share Registrar: THK Associates (Pvt) Ltd

Head Office, Karachi
1st Floor, 40-C, Block-6,
P.E.C.H.S., Karachi.
Tel: (021) 111 000 322
Fax: (021) 34168271

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

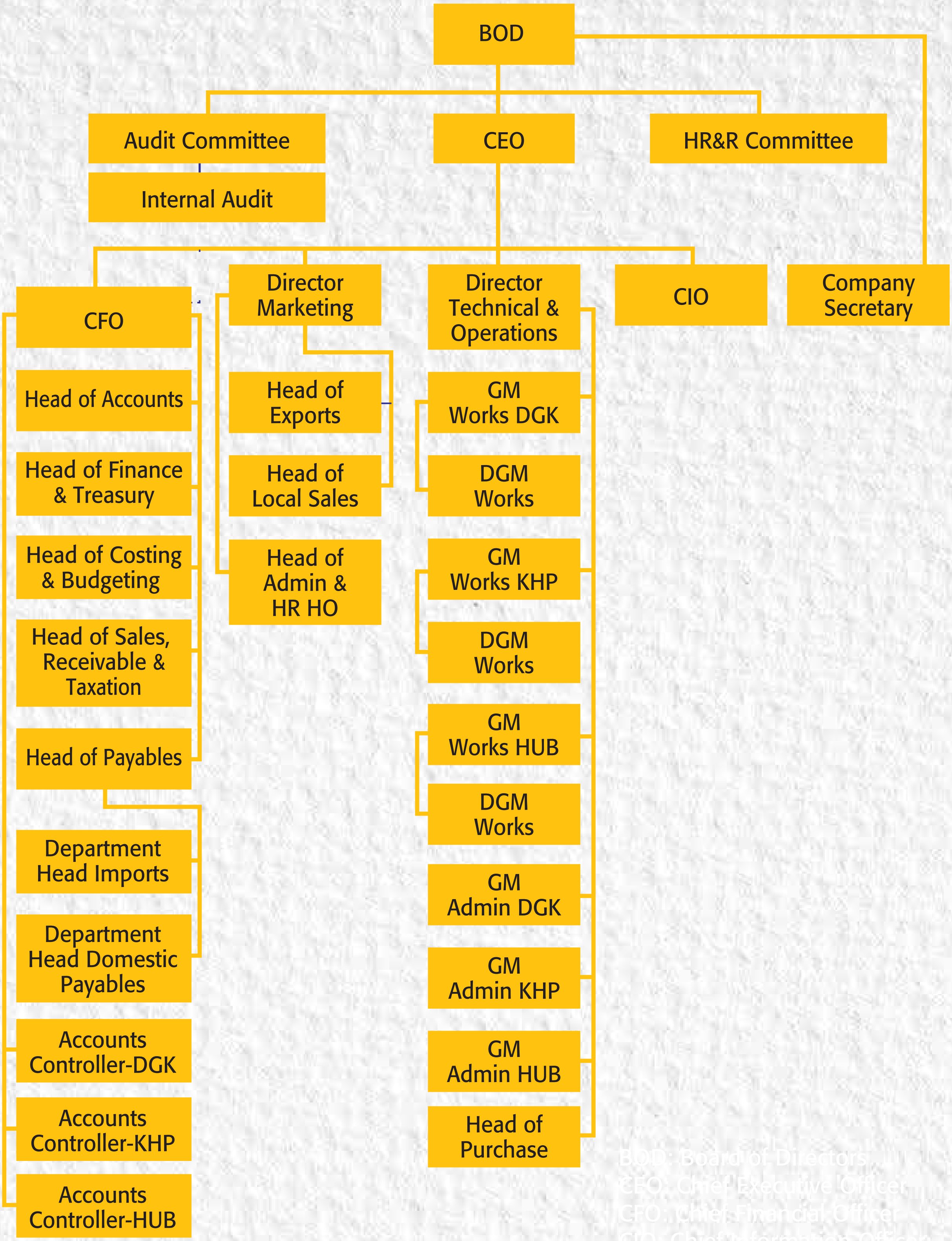
For Investors' Information, Comments, Inquiries, Complaints

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

MANAGEMENT STRUCTURE AND ORGANOGRAM



BOD: Board of Directors
CEO: Chief Executive Officer
CFO: Chief Financial Officer
CIO: Chief Information Officer
GM: General Manager
DGM: Deputy General Manager

PROFILES OF DIRECTORS AND MANAGEMENT

Mrs. Naz Mansha
Director/Chairperson

Mrs. Naz Mansha has over 33 years' experience as a Director on the Board of different companies. She has been associated with D. G. Khan Cement Company Limited (DGKC) since 1994, She is also a Chief Executive of Nishat Linen (Private) Limited, a subsidiary of Nishat Mills Limited and Director/Chief Executive of Emporium Properties (Pvt) Limited and Director on the Board of Golf View Land (Pvt) Limited.

Mr. Khalid Niaz Khawaja
Director/Independent

Mr. Khalid Niaz Khawaja is a Fellow of Institute of Bankers, Pakistan. He has more than 46 years' experience to work in different capacities in banking industry. He is also CEO in one of the leading leasing companies. He had been on the board as a director on the leading institutions Including Lahore Stock Exchange Limited.

Mr. Raza Mansha
Director/Chief Executive Officer

He is a graduate from University of Pennsylvania. He has rich experience of about 25 years in business management, corporate strategies, commercial insights and project management. He is a visionary man and the success of DGKC is a witness to his business intelligence.

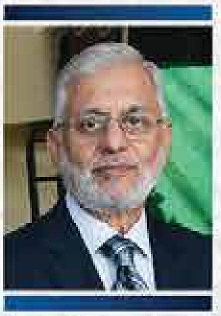
He is also on top executive post along with directorship in Nishat Paper Products Company Limited, Nishat Developers (Private) Limited and Nishat (Gulberg) Hotels and Properties Limited.

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

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

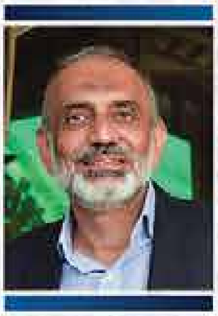
MR. USAMA MAHMUD
Director/Independent

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



Mr. Mahmood Akhtar
Director/Non-Executive

Mr. Mahmood Akhtar holds an MBA degree from Punjab University and has over 37 years of managerial experience spread across various industries. He also serves on the Board of Lalpir Power Limited, Nishat Mills Limited, Nishat Power Limited, Security General Insurance Company Limited, Nishat Hospitality (Pvt) Limited, Nishat Paper Products Company Limited, Nishat (Gulberg) Hotels and Properties Limited and Nishat Commodities (Pvt) Limited.



Mr. Shahzad Ahmad Malik
Director/Non-Executive

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

Mr. Farid Noor Ali Fazal
Director/Executive

He holds a bachelor degree in Commerce, Law and Management. He has vast experience of about 45 years in marketing, selling, logistics and administration. He started his career in 1967 with Fancy Group of Companies and later served as Marketing Manager of Steel Corporation of Pakistan before moving to Middle East in 1976. He remained associated with the cement and steel sector in Middle East for more than a decade where he served in various companies mostly as General Manager (Sales & Marketing).

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

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

Dr. Arif Bashir
Director Technical & Operations

Dr. Arif Bashir holds a Ph.D. degree, by profession he is Chemical Engineering. He joined cement sector in 1983. During his career spanning over 38 years, he has proven himself in technical, managerial and research areas.

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

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

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

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

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

Mr. Khalid Mahmood Chohan
Company Secretary

He is a Commerce graduate. His experience tenor is about 37 years. His fields of expertise include income tax, corporate matters and secretarial practices.

He is Company Secretary of various companies in Nishat Group.

Mr. Inayat Ullah Niazi
Chief Financial Officer

He is a Commerce Graduate and C.A. Inter. His experience spans about 36 years, through out with DGKC. He supervised the financial matters related to expansion of DG Plant. He also oversaw critical financing arrangements for installation of new plants at Khairpur (2007) and Hub (2018). His expertise is in accounts, tax, audit, finance, treasury, budget and planning. He remained a crucial negotiator and dealer in transactions with international financial institutions, development institutions and export credit agencies.

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

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

Mr. Nauman Yaqoob
Chief Information Officer

He holds Bachelors and Master's degree in Information Technology (IT) from Preston University. He has experience of over 26 years in different areas of IT including ERP, Software development, Network communication, Data Centers, Security and BMS. He also has many international affiliations and certifications. (CISCO, Microsoft, Oracle, Dell, IBM, Honeywell, Bosch etc.)

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

GROUP PROFILE

About Founder:

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

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

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

Its Market Capitalization as on June 30, 2020 is about PKR 285 billion (about USD 1.7 billion). The Group regular employees are more than 41,000. As on June 30, 2020, 67.3% of group market capitalization was occupied by banking sector, cement 13.1%, textile 9.6%, power 5.9%, and insurance 4.1%.

The Group has notable presence in following business sectors:

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

GROUP COMPANIES

Name of Company	Associated
Nishat Mills Limited	Yes
MCB Bank Limited	No
Adamjee Insurance Company Limited	Yes
Nishat Power Limited	Yes
Lalpir Power Limited	Yes
Pakgen Power Limited	No
Nishat Paper Products Company Limited	Yes
Security General Insurance Company Limited	Yes
Nishat Hotels And Properties Limited	Yes
Nishat (Aziz Avenue) Hotels And Properties Limited	Yes
Nishat (Raiwind) Hotels And Properties Limited	Yes
Nishat (Gulberg) Hotels And Properties Limited	Yes
Nishat Energy Limited	No
Nishat Hospitality (Pvt) Limited	Yes
Nishat Linen (Pvt) Limited	Yes
Nishat Agriculture Farming (Pvt) Limited	Yes
Nishat Developers (Pvt) Limited	Yes
Pakistan Aviators & Aviation (Pvt) Limited	No
Nishat Real Estate Development (Pvt) Limited	No
Nishat Dairy (Pvt) Limited	Yes
MCB Financial Services Limited	No
Adamje Life Assurance Company Limited	No
Mnet Services (Pvt) Limited	Yes
Lalpir Solar (Pvt) Limited	No
Hyundai Nishat Motor (Pvt) Limited	Yes
MCB Islamic Bank Limited	Yes
Nishat Agrotech (Pvt) Limited	Yes
Emporium Properties (Pvt) Limited	Yes
Golf View Land (Pvt) Limited	Yes
Nishat Sutas Dairy Limited	No

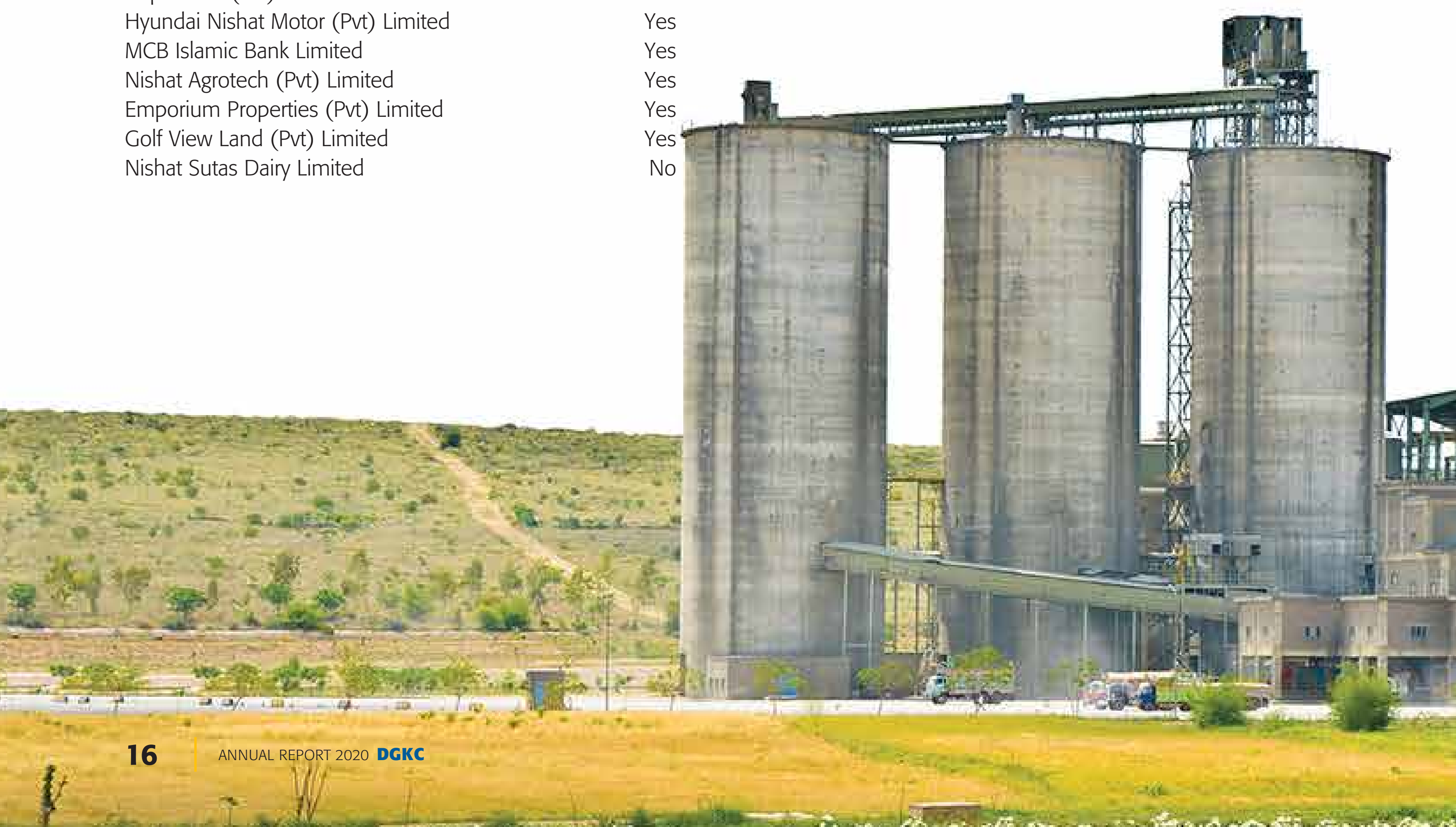
DGKC-GROUP CROSS INVESTMENTS

Holding in DGKC

Share Holder	No. of Shares	%
Nishat Mills Limited	137,574,201	31.40
Adamjee Insurance Company Limited	3,358,344	0.77
Adamjee Life Insurance Company Limited	363,300	0.08
Security General Insurance Company Limited	228,500	0.05
Mrs. Naz Mansha	113,098	0.03
Mian Raza Mansha	12,796,880	2.92
Mrs. Ammil Raza Mansha	5,891,098	1.34
Mian Umer Mansha	27,565,313	6.29
Mian Hassan Mansha	27,139,917	6.19
	215,030,651	**49.08**

DGKC Holding in

	No. of Shares	%
MCB Bank Limited	102,277,232	8.63
Nishat Mills Limited	30,289,501	8.61
Adamjee Insurance Co. Ltd.	27,877,735	7.97
Nishat Paper Products Co. Ltd.	25,595,398	55.00
Nishat Dairy (Pvt) Limited	270,000,000	55.10
Nishat Hotels and Properties Limited	104,166,667	10.42
Hyundai Nishat Motor (Pvt) Ltd.	74,750,000	10.00



COMPANY PROFILE

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

The Company is primarily engaged in production and sale of Clinker and Cement with more than 1,800 regular employees. As at June 30, 2020; total market capitalization was about Rs 37 billion (about 9% of the total market capitalization of cement sector in Pakistan). Total market share of the company is about 13.4%.

Brick By Brick...

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

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

1992
Acquired by Nishat Group under privitization initiated by the Government

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

1996
Installation of 23.84 MW furnace oil based captive power plant

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

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

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

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

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

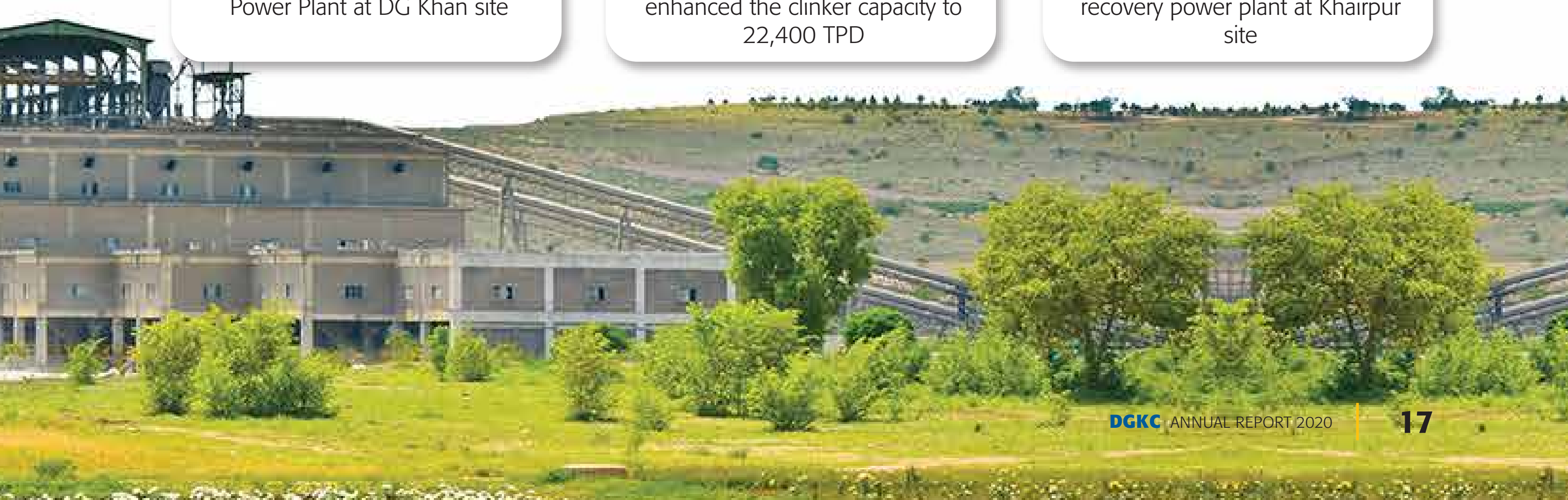
2010
Installation of 10.4 MW WHR power plant at DG Khan site

2013
Installation of 8.6 MW WHR power plant at Khairpur site

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

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

2020
Addition of 12 MW new waste heat recovery power plant at Khairpur site



SUBSIDIARIES

Nishat Dairy (Private) Limited (NDPL)

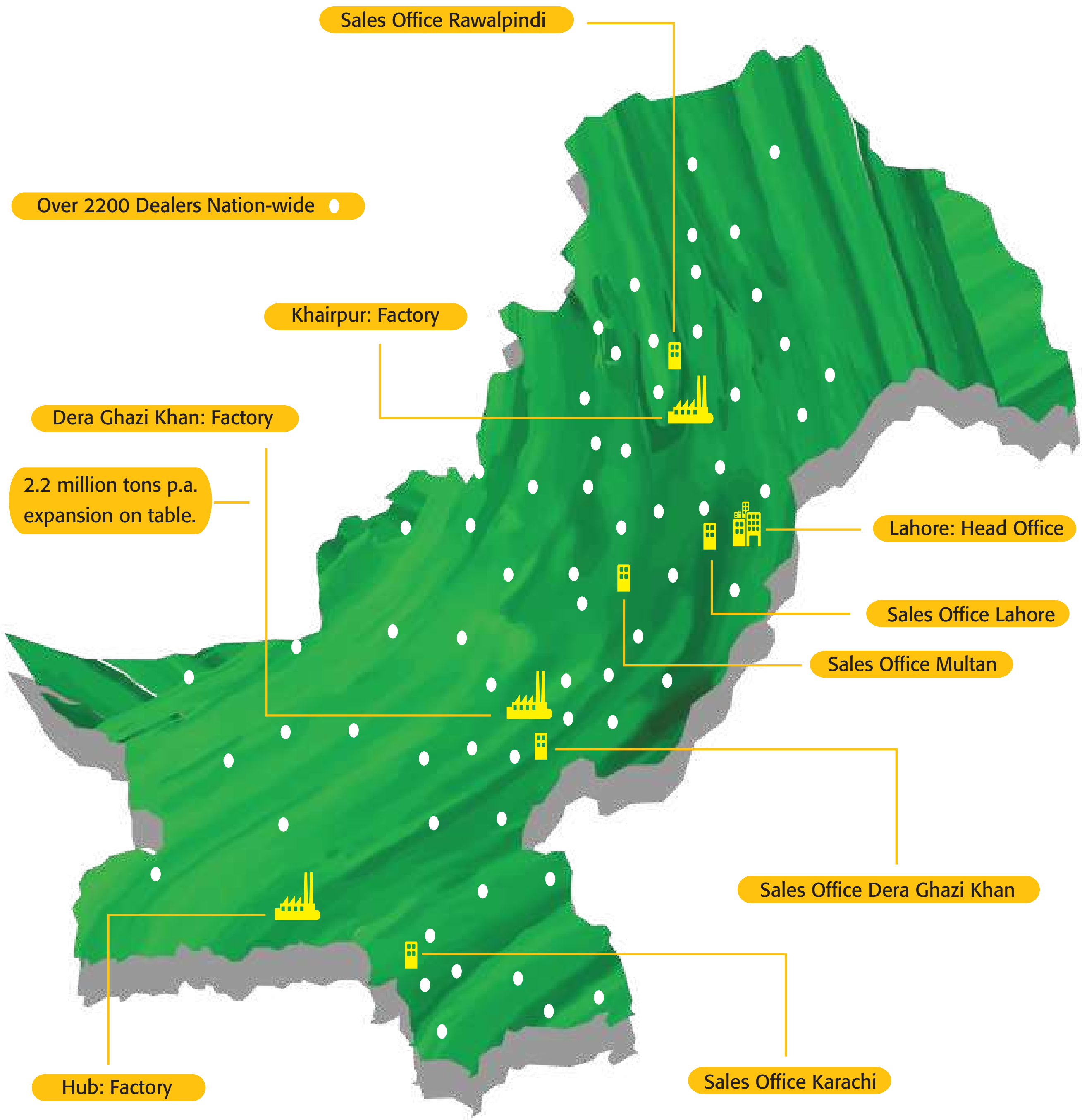
NDPL is a private company limited by shares, incorporated in Pakistan on October 28, 2011. It is principally engaged in the business of production and sale of raw milk. The company was set up with the principle object of carrying out dairy business in Pakistan. It has purchased 147 acres of land near Sukheki to set up the dairy operations. As at June 30, 2020 the Company has 2,957 mature milking animals.

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

Nishat Paper Products Company Limited (NPPCL)

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

GEOGRAPHICAL PRESENCE IN PAKISTAN



PRODUCT FEATURES

Ordinary Portland

Strength

To ensure that cement dispatched to customers is with zero defect quality and has exceptionally high strength superseding national and international standards, automatic quality control is done through online X-ray analyzer and computer-controlled systems. Our focus is not only on the quality of cement dispatched but on the consistency of the high-quality cement dispatched. We may further add that the Quality Control department carries out regular checks and analysis of various raw materials, intermediate products and final products in order to have additional quality checks. At DGKC the chemical composition and grinding fineness are closely monitored to ensure that both Pakistani and other international standards are surpassed and our customers get cement of exceptional strength.

Ideal Setting Time

In order to allow sufficient time for application, cement must have a quick initial settings time. However, once in place, the final settings should not take too long. At DGKC ideal initial and final setting times are maintained.

Sulphate Resistant

Low C3A Content

Sulphate salts present in some soils combine with moisture and tri-calcium aluminate (C3A) , one of the constituents of cement to form a compound known as Sulpho Aluminate off Hydrated Calcium. This compound is highly expensive and gradually results in the destruction of concrete. However, if a C3A content is very low, it is rendered inert and there is thus no reaction at all. British and Pakistani standards specify that in a Sulphate Resistant Cement, the C3A content must not exceed 3.5%. D.G Sulphate Resistant Cement has a much lower C3A content, making the cement highly effective against Sulphate attacks.

High Strength

As with any type of cement, strength is the fundamental property of Sulphate Resistant Cement. DG. Sulphate Resistant Cement achieves high strength through finer grinding and better particle distribution. In terms of strength, it not only exceeds by far the standards specified for Sulphate Resistant Cement, but also exceeds those of Ordinary Portland cement.

Low Alkali Content

Certain aggregates contain alkali sensitive ingredients, which under unfavorable conditions, can result in expansion leading to cracking of concrete. The presence of alkali also causes staining and other undesirable effects on concrete. American Standards specify that cement can be termed low-alkali if its alkali content does not exceed 0.6%. DG. Sulphate Resistant Cement has alkali content below 0.6 and a unique distinction of being a Sulphate Resistance Cement that can also be classified as low - alkali cement.

QUALITY STANDARDS

OPC

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

SRC

PS 612-1989 (R)
Compliance with:
British Standard: BSS 4027 1996
American Standard: ASTM C-150 Type V

ISO Certifications

ISO-9001-2008
ISO-14001-2004

PRODUCTION FACILITIES

Plant Make

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

Plant Capacities

Factory	Clinker (Tons per day)	Clinker (Tons per annum)	Cement (Tons per annum)
Dera Ghazi Khan	6,700	2,010,000	2,110,500
Khairpur	6,700	2,010,000	2,110,500
Hub	9,000	2,700,000	2,835,000
Total	**22,400**	**6,720,000**	**7,056,000**

Important Machineries' Capacities

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

Electricity Generation Capacity (MW)

	Furnace Oil	Gas	Dual Fuel (FO+G)	WHR	Coal	Total
DGP	-	24.60	-	10.40	30.00	65.00
KHP	-	-	33.00	12.00	-	45.00
HUB	23.84	-	-	-	-	23.84
Total	**23.84**	**24.60**	**33.00**	**22.40**	**30.00**	**133.84**

Electricity Requirements

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

CULTURE AT DGKC

P Positive contribution and commitment

R Respect for self and others

I Integrity in actions and decisions

D Drive to continuously improve

E Excellence in everything we do

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


NISHAT
ANNUAL
SPORT
GALA 2020









SPECIAL TRIBUTE...

31, January 2020 marked the end of 27 years journey of **Mr. Aftab Ahmad Khan** (Director Finance) with DGKC.

His services for different industries of Pakistan span over half a century. With over 50 years of diversified professional experience in various sectors, he is one of the quick-witted Chartered Accountant of his era, served three Public Sector Organizations including Punjab Ghee Board, Punjab Industrial Development Board and Rice Milling Corporation of Pakistan at key positions where he played the vital role of securing funds for new projects, imports, managing investments and overall supervision.

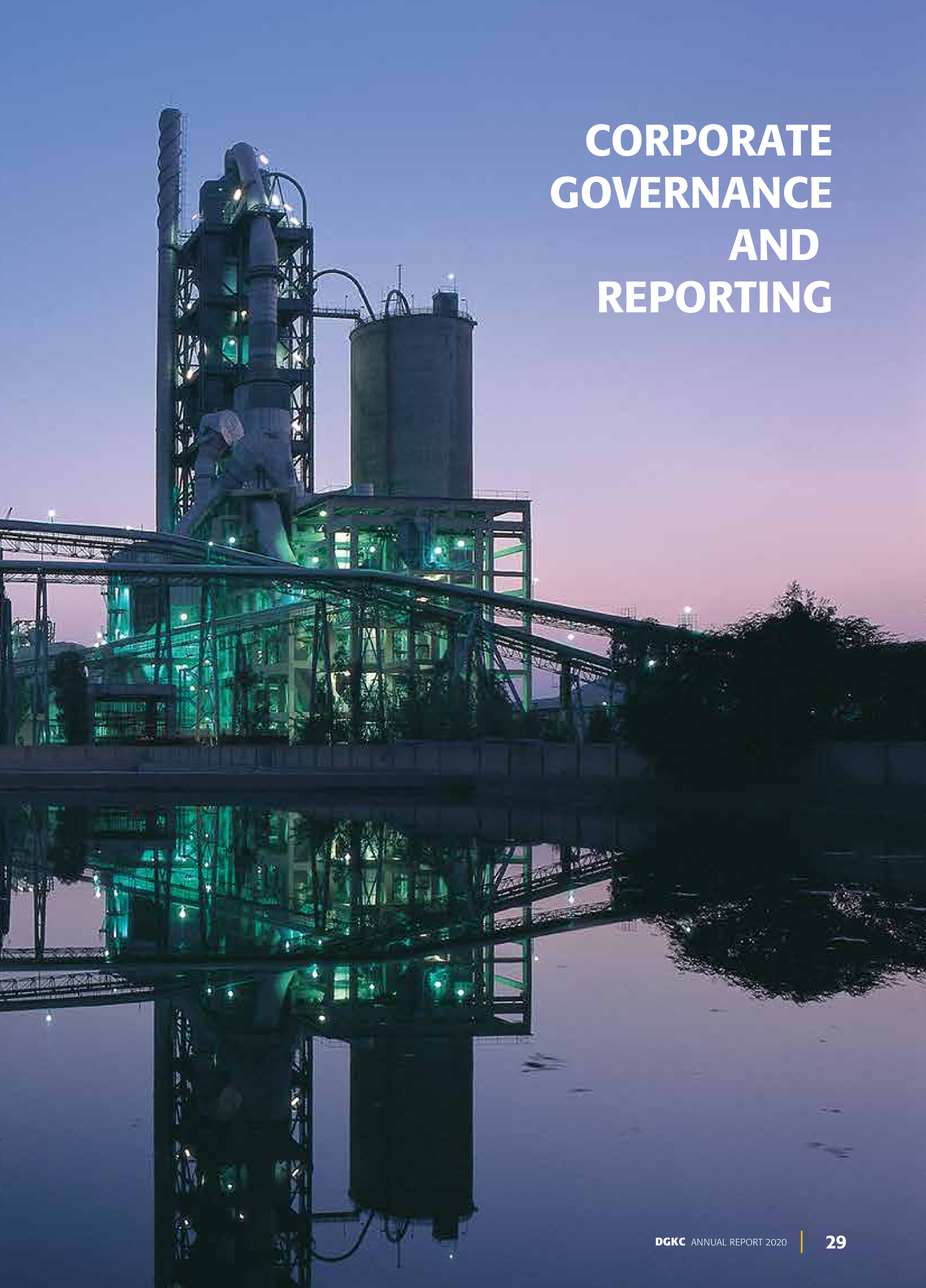
He joined Nishat Group in 1993 and served on the Board of different sectors including Commercial Banks, Textile, Paper, Energy, Hotel & Properties and Insurance. His vast experience, dedication to work and leadership has been important not only for DGKC but also for the entire group. He provided a valuable contribution to the growth of MCB Bank since its privatization where he was also a member of the Audit Committee, IT Committee and Write-off and Waiver Committee.

Over the last 27 years, he witnessed the growth of DGKC over three decades from extension of existing DG Plant lines to Hub project. His stewardship has been characterized by innovative ideas, strategic thinking, most valuable and tireless efforts to increase the credibility and visibility of DGKC. The resulting recognition has now become an asset to DGKC, and the relationships he has fostered with stakeholders will ensure DGKC will prosper and continue to offer opportunities to grow further. He took retirement from service at the age of 78 years. His energy and devotion to the role will be difficult to match, but he left DGKC on a strong footing for those who follow him.

It is our great pleasure on behalf of every member of DGKC to thank him for his valuable contribution. We hope he takes some time and just enjoy a stress-free life ahead.

As one chapter ends, another begins, we wish him the best of health and happiness

D.G KHAN, KHOFLI SATTAI - PLANT SITE



CORPORATE GOVERNANCE AND REPORTING

CODE OF CONDUCT

DG Khan Cement Company Limited continues to hold in high esteem the best practices of corporate governance and believes in widely propagating its values and ethics for strict adherence by all employees, contractors, suppliers and others while doing business for the Company. The Company's commitment to encouraging ethical and responsible practices is demonstrated by the fact that DG Khan Cement Company Limited had a comprehensive Code of Conduct in place well before the introduction of the Stock Exchange requirement. In order to apprise employees of the Code of Conduct, the Company organises training programmes within the Company on a periodic basis to ensure compliance at all levels. Furthermore, upon joining the Company, all employees are required to read and understand the Code of Conduct, and sign a declaration of compliance with it. As a refresher on the Code, renewal of the declaration is also carried out electronically on a regular basis. *(Approved Code of conduct for directors and employees are shown on website in detail).*

Salient Features of Code of Conduct

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

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

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

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

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

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

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

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

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

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

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

BUSINESS CONTINUITY PLAN

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

IT GOVERNANCE POLICY

Information Technology (IT) Governance is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure the sustenance and extension of the Company's strategies and objectives.

IT Governance provides a structured decision making process around IT investment decisions and promotes accountability, due diligence, and efficient and economic delivery of IT services to the users in the Company. Cheif Information Officer's Department enables and supports the corporate objectives of the Company by playing a crucial role in IT governance by aligning decisions of IT investments with the Company's mission.

Cheif Information Officer Department's supportive role in IT governance at the Company includes but is not limited to the following:

- To develop effective and appropriate IT governance framework for investments in IT infrastructures;
- To support the strategic planning and administration of IT infrastructure and resources;
- To develop and assess IT capital planning and investment control activities;
- To develop IT management tools and training methodologies;
- To conduct special projects and initiatives to promote new concepts and techniques relating to IT.

INVESTOR GRIEVANCE POLICY

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

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

SAFETY OF RECORDS POLICY

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

The policy ensures that:

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

HUMAN RESOURCE MANAGEMENT POLICY

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

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

Recruitment and Selection

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

Development and Training

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

Reward and Motivation

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

Equality, Diversity and Dignity at Work

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

Succession Plan

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

SPEAK UP (WHISTLE-BLOWING POLICY)

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

Policy and Procedures

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

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

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

Procedures for raising concerns are provided below:

Informal reporting: Voice concern with line manager or any other senior manager.

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

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

Anonymous reports: Individuals may wish to raise concerns anonymously.

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

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

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

ENVIRONMENTAL, HEATH & SAFETY POLICY

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

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

To meet this we:

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

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

We comply through following plan of actions:

- Environmental Management System (EMS)
- KPIs and standard protocols follow up
- Emissions monitoring and reporting
- Waste and water management
- Regulation updates, trends and new technologies
- Promotion of best practices throughout our operation

CORPORATE SOCIAL REPONSIBILITY (CSR)

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

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

These initiatives are based on following pillars:

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

We aspire to positively impact Pakistan and to achieve this we undertook, but not limited to, the following activities during the current year:

- Created job opportunities for the local community and provided the platform to train technical staff at all levels particularly to fresh diploma holder and graduate engineers.
- Two schools at DG Khan Site are functional, also providing great opportunity to the local community.
- Free medical services to local community by establishing free dispensary at sites.
- Free factory ambulance for local patients 24/7 in case of emergencies.
- Free fire-fighting service for nearby areas in extreme emergencies.
- Majority of unskilled labor is engaged from local population.
- For Gaddani Jail district Lasbella Baluchistan, provided mattresses, freezer & free medicines, developed ladies waiting area along with wash room, renovation/upgradation of Kitchen, appointed qualified dispenser and doctor and provided free medicines.
- Developed several washrooms facilities for adjoining population.
- Provided water to adjoining communities on need basis.
- Developed approach road, construction of shed/entrance path, water tank flooring and supply of fans at LIEDA Main Mosque for benefit of local population.
- Construction of 248 cubic meter Water Tank at Bawani Islamic Institute, Baluchistan
- Repair and maintenance of SAROONA Ambulance as per instruction of District Management.
- Construction of Office Room at Labour Court Hub, Baluchistan
- Construction of By Pass -Jarrar Peer Road, Baluchistan
- Donation in shape of supply of food for flood victims of District Lasbella.
- Donations to boost sports activities in District Lasbella from time to time.
- Installation of 5.5 KW Solar System for Bore Well of Ramzan Goth, Baluchistan
- Food Distribution for Corona effectives during Lockdown in April 2020.
- Established a setup of medicines to OPD at Basic Health Unit Winder as per directive of Chief Justice, Baluchistan-High Court.
- Provision of Text Books up to 12th standard students at Municipal Library Hub as per instruction of Assistant Commissioner Hub.
- Provided food to needy and poor people of adjoining areas
- Provided facilities in the shape of equipment and manpower to combat natural disasters.
- Establishment of University of Engineering and Technology (UET) Chakwal Campus and provided research facilities
- Provided technical support to the students of Training Centre, Katas
- Constructed road and maintaining it for local community
- Provided internships to large number of university students
- Collaboration with universities to carry on applied research projects

PATTERN OF SHARE HOLDING AS ON 30/06/2020

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1630	1	100	79125	0.0181
2408	101	500	899506	0.2053
1579	501	1000	1414361	0.3228
2290	1001	5000	6073992	1.3864
582	5001	10000	4627415	1.0562
200	10001	15000	2570713	0.5868
119	15001	20000	2179734	0.4975
75	20001	25000	1743024	0.3978
47	25001	30000	1334791	0.3047
50	30001	35000	1639059	0.3741
37	35001	40000	1422396	0.3247
23	40001	45000	984495	0.2247
35	45001	50000	1721828	0.3930
17	50001	55000	895341	0.2044
22	55001	60000	1295500	0.2957
13	60001	65000	814350	0.1859
21	65001	70000	1450193	0.3310
11	70001	75000	801902	0.1830
9	75001	80000	707000	0.1614
12	80001	85000	995203	0.2272
9	85001	90000	804806	0.1837
10	90001	95000	929171	0.2121
21	95001	100000	2091000	0.4773
5	100001	105000	518906	0.1184
7	105001	110000	756209	0.1726
5	110001	115000	570600	0.1302
7	115001	120000	822500	0.1877
5	120001	125000	618223	0.1411
1	125001	130000	126500	0.0289
8	130001	135000	1070000	0.2442
3	135001	140000	413500	0.0944
3	140001	145000	428500	0.0978
8	145001	150000	1194500	0.2726
4	150001	155000	606979	0.1385
5	155001	160000	789300	0.1802
1	160001	165000	161000	0.0367
5	165001	170000	835500	0.1907
3	170001	175000	516982	0.1180
1	190001	195000	195000	0.0445
6	195001	200000	1200000	0.2739
3	200001	205000	609500	0.1391
2	205001	210000	417500	0.0953
3	215001	220000	651500	0.1487
3	220001	225000	673400	0.1537
4	225001	230000	913830	0.2086
1	230001	235000	234000	0.0534
3	235001	240000	717000	0.1637
8	245001	250000	1993000	0.4549
2	250001	255000	508000	0.1160
2	255001	260000	519200	0.1185
3	265001	270000	806500	0.1841
4	270001	275000	1095900	0.2501
1	275001	280000	279500	0.0638
6	295001	300000	1796000	0.4099
2	335001	340000	672338	0.1535
2	345001	350000	700000	0.1598
3	355001	360000	1074000	0.2451
3	360001	365000	1087000	0.2481
1	365001	370000	368000	0.0840
2	370001	375000	745100	0.1701
1	375001	380000	380000	0.0867
1	385001	390000	387000	0.0883
1	390001	395000	391000	0.0892

Continued

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
5	395001	400000	1995500	0.4555
3	410001	415000	1243500	0.2838
1	415001	420000	416200	0.0950
1	425001	430000	427000	0.0975
1	430001	435000	435000	0.0993
1	485001	490000	488500	0.1115
2	495001	500000	1000000	0.2282
1	500001	505000	500618	0.1143
2	505001	510000	1017500	0.2322
1	520001	525000	521140	0.1189
1	525001	530000	527000	0.1203
1	535001	540000	535200	0.1222
1	550001	555000	555000	0.1267
1	585001	590000	588900	0.1344
2	595001	600000	1199000	0.2737
2	625001	630000	1257700	0.2871
1	640001	645000	644848	0.1472
1	650001	655000	651086	0.1486
1	660001	665000	661000	0.1509
2	670001	675000	1350000	0.3081
1	695001	700000	700000	0.1598
1	740001	745000	743600	0.1697
1	745001	750000	750000	0.1712
1	755001	760000	760000	0.1735
1	795001	800000	799500	0.1825
1	895001	900000	900000	0.2054
1	900001	905000	905000	0.2066
1	945001	950000	950000	0.2168
1	960001	965000	964159	0.2201
1	975001	980000	977500	0.2231
1	980001	985000	981849	0.2241
2	985001	990000	1973500	0.4504
3	995001	1000000	3000000	0.6847
1	1005001	1010000	1009000	0.2303
1	1045001	1050000	1047500	0.2391
1	1110001	1115000	1112400	0.2539
1	1135001	1140000	1140000	0.2602
1	1175001	1180000	1177000	0.2686
1	1210001	1215000	1213500	0.2770
1	1215001	1220000	1219200	0.2783
1	1335001	1340000	1338300	0.3055
1	1365001	1370000	1369300	0.3125
1	1420001	1425000	1425000	0.3253
1	1480001	1485000	1480756	0.3380
1	1485001	1490000	1486900	0.3394
4	1495001	1500000	5996500	1.3687
1	1570001	1575000	1571700	0.3587
1	1655001	1660000	1656500	0.3781
1	1745001	1750000	1750000	0.3994
1	1795001	1800000	1800000	0.4108
1	1825001	1830000	1826600	0.4169
1	1895001	1900000	1896000	0.4328
1	1915001	1920000	1917100	0.4376
1	1955001	1960000	1956760	0.4466
1	2020001	2025000	2020181	0.4611
1	2095001	2100000	2100000	0.4793
1	2185001	2190000	2187000	0.4992
1	2240001	2245000	2244746	0.5124
1	2595001	2600000	2596500	0.5926
1	2975001	2980000	2980000	0.6802
1	3065001	3070000	3069500	0.7006
1	3080001	3085000	3082500	0.7036
1	3105001	3110000	3108070	0.7094
1	3355001	3360000	3358344	0.7665
1	3410001	3415000	3414932	0.7795
1	3625001	3630000	3630000	0.8285

Continued →

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	3720001	3725000	3725000	0.8502
1	3865001	3870000	3865511	0.8823
1	4635001	4640000	4635974	1.0582
1	4905001	4910000	4909249	1.1205
1	4995001	5000000	5000000	1.1412
1	5970001	5975000	5974500	1.3637
1	6005001	6010000	6006253	1.3709
1	6080001	6085000	6081711	1.3881
1	6445001	6450000	6449475	1.4721
1	6545001	6550000	6546000	1.4941
1	7445001	7450000	7450000	1.7005
1	8075001	8080000	8079900	1.8442
1	8160001	8165000	8160906	1.8627
1	10040001	10045000	10041500	2.2920
1	11145001	11150000	11149920	2.5450
1	15985001	15990000	15989997	3.6497
1	21555001	21560000	21559060	4.9208
1	22925001	22930000	22929033	5.2335
1	114645001	114650000	114645168	26.1676
9460	**Company Total**		**438,119,118**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2020

		SHARES HELD	%
1.	Directors, Chief Executive Officer, and their spouse and minor children	18,805,076	4.29
2.	Associated Companies, undertakings and related parties.	141,524,345	32.30
3.	NIT and ICP	2,021,681	0.46
4.	Banks Development Financial Institutions Non Banking Financial Institutions.	20,798,458	4.75
5.	Insurance Companies	14,874,712	3.40
6.	Modarabas and Mutual Funds	17,251,328	3.94
7.	Shareholders holding 10%	137,574,201	31.40
8.	General Public:		
	a. Local	83,549,867	19.07
	b. Foreign	5,434,814	1.24
9.	Others		
	Joint Stock Companies	21,112,873	4.82
	Investment Companies	18,056	0.00
	Pension Funds, Provident Funds etc.	23,648,894	5.40
	Foreign Companies	34,373,784	7.85

ADDITIONAL INFORMATION AS ON JUNE 30, 2020

		No. of Shares	%
I. Associated Companies, undertakings and related parties			
Nishat Mills Limited	- Associated Company	137,574,201	31.40
Security General Insurance Company Limited	- Associated Company	228,500	0.05
Adamjee Life Assurance Company Limited	- Associated Company	363,300	0.08
Adamjee Insurance Company Limited	- Related Party	3,358,344	0.77
II. Mutual Funds:			
CONFIDENCE MUTUAL FUND		573	0.00
UNICOL LIMITED EMPLOYEES PROVIDENT FUND		10000	0.00
PRUDENTIAL STOCK FUND LTD.		413	0.00
MCBFSL - TRUSTEE JS VALUE FUND		60000	0.01
CDC - TRUSTEE JS LARGE CAP. FUND		42000	0.01
CDC - TRUSTEE ATLAS STOCK MARKET FUND		987500	0.23
CDC - TRUSTEE MEEZAN BALANCED FUND		152000	0.03
CDC - TRUSTEE JS ISLAMIC FUND		116000	0.03
CDC - TRUSTEE FAYSAL STOCK FUND		58000	0.01
CDC - TRUSTEE ALFALAH GHP VALUE FUND		102000	0.02
CDC - TRUSTEE UNIT TRUST OF PAKISTAN		175000	0.04
CDC - TRUSTEE AKD INDEX TRACKER FUND		54487	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND		799500	0.18
CDC - TRUSTEE MEEZAN ISLAMIC FUND		3082500	0.70
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND		61500	0.01
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND		356500	0.08
CDC - TRUSTEE NBP BALANCED FUND		96500	0.02
CDC - TRUSTEE MCB DCF INCOME FUND		507500	0.12
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND		3000	0.00
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND		630000	0.14
CDC - TRUSTEE APF-EQUITY SUB FUND		62000	0.01
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT		24500	0.01
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND		521140	0.12
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND		414000	0.09
CDC - TRUSTEE APIF - EQUITY SUB FUND		79500	0.02
MC FSL - TRUSTEE JS GROWTH FUND		253000	0.06
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT		15000	0.00
CDC - TRUSTEE ALFALAH GHP STOCK FUND		234000	0.05
CDC - TRUSTEE ALFALAH GHP ALPHA FUND		156000	0.04
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND		3414932	0.78
CDC - TRUSTEE ABL STOCK FUND		400	0.00
CDC - TRUSTEE FIRST HABIB STOCK FUND		13000	0.00
CDC - TRUSTEE LAKSON EQUITY FUND		387000	0.09
CDC - TRUSTEE NBP SARMAYA IZAFA FUND		42000	0.01
CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT		240000	0.05
CDC - TRUSTEE HBL EQUITY FUND		100000	0.02
CDC - TRUSTEE KSE MEEZAN INDEX FUND		510000	0.12
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND		4000	0.00
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND		17500	0.00
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND		3000	0.00
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND		400	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND		38000	0.01
CDC - TRUSTEE NBP ISLAMIC STOCK FUND		337000	0.08
CDC - TRUSTEE NBP INCOME OPPORTUNITY FUND - MT		40500	0.01
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND		1009000	0.23
CDC-TRUSTEE NITIPF EQUITY SUB-FUND		64000	0.01
CDC-TRUSTEE NITPF EQUITY SUB-FUND		31500	0.01
CDC - TRUSTEE NBP SAVINGS FUND - MT		239500	0.05
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND		21500	0.00

CDC - TRUSTEE FAYSAL MTS FUND - MT	488500	0.11
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	151000	0.03
CDC - TRUSTEE LAKSON TACTICAL FUND	47300	0.01
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	20500	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	88260	0.02
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	81000	0.02
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	25000	0.01
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	4000	0.00
CDC - TRUSTEE NBP ISLAMIC REGULAR INCOME FUND	8700	0.00
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	71500	0.02
CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	391000	0.09
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	224000	0.05

			No. of Shares	%
III.	**Directors and their spouse(s) and minor children:**			
	Mrs. Naz Mansha	Director/Chairperson	113,098	0.03
	Mian Raza Mansha	Director/CEO	12,796,880	2.92
	Mr. Khalid Niaz Khawaja	Diretcor	2,000	0.00
	Mr. Usama Mahmud	Director	200	0.00
	Mr. Mahmood Akhtar	Director	500	0.00
	Mr. Farid Noor Ali Fazal	Director	1,200	0.00
	Mr. Shahzad Ahmad Malik	Director	100	0.00
	Mrs. Ammil Raza Mansha	Spouse of CEO	5,891,098	1.34
	Mrs. Iffat Mahmood	Spouse of Mr. Mehmood Akhtar	8,000	0.00
IV.	**Executives:**			
	Mr. I.U. Niazi	Chief Financial Officer	2,775	0.00
V.	**Public Sector Companies and Corporations:**			
	Joint Stock Companies		21,112,873	4.82
VI.	**Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds:**			
	Investment Companies		1,856	0.00
	Insurance Companies		14,874,712	3.40
	Financial Institutions		20,798,458	4.75
	Modaraba Companies		83,223	0.02
	Mutual Funds		17,168,105	3.92
	Pension Funds/Providend Funds Etc.		23,648,894	5.40
VII.	**Shareholders holding Five percent or more voting interest in the Listed Company**			
	Mian Umer Mansha		27,565,313	6.29
	Mian Hassan Mansha		27,139,917	6.19
	Nishat Mills Limited		137,574,201	31.40

Trading in the shares of the Company, carried out by its Directors, Chief Excutive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary, their Spouses and minor children during the period July 01, 2019 to June 30, 2020, are as under:

S.No.	Name	Designation	No. of Shares	
			Sold	Purchased
1	Mrs. Iffat Mahmood	Spouse of Mr. Mehmood Akhtar	1,000	-

Subsequinty to above following shares also sold by Mrs. Iffat Mahmood, Spouse of Mr. Mehmood Akhtar.

Date	No. of Shares Sold
01-07-2020	1,000
06-07-2020	2,000

BOARD AND ITS COMMITEES' PERFORMANCE

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

Name of Members	Number of Meetings Attended
Mr. Khalid Niaz Khawaja (Member/Chairman)	4
*Mr. Muhammad Arif Hameed (Member)	1
Mr. Mahmood Akhtar (Member)	4
**Mr. Usama Mahmud (Member)	2

Mr. Muhammad Arif Hameed Retired from the Board of Directors on October 28, 2019.

** Mr. Usama Mahmud Elected as Director on October 28, 2019 and appointed as Member Audit Committee on October 30, 2019 in place of Mr. Muhammad Arif Hameed.

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

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

* HR&R Committee Reconstituted October 30, 2019 after election of Directors held on October 28, 2019 and Mr. Shahzad Ahmad Malik was appointed in place of Mr. Mahmood Akhtar.

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

Name of Directors	Number of Meetings Attended
Mr. Raza Mansha (Chief Executive Officer)	5
Mrs. Naz Mansha (Chairperson)	4
Mr. Muhammad Arif Hameed (Retired)*	1
Mr. Farid Noor Ali Fazal	5
Mr. Shehzad Ahmad Malik	5
Mr. Khalid Niaz Khawaja	5
Mr. Mahmood Akhtar	5
Mr. Usama Mahmud**	3

*Mr. Muhammad Arif Hameed Retired from the Board of Directors on October 28, 2019.

** Mr. Usama Mahmud Elected as Director on October 28, 2019 in place of Mr. Muhammad Arif Hameed.

CHAIRPERSON'S REVIEW REPORT ON BOARD PERFORMANCE

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

- Mrs. Naz Mansha (Chairperson)
- Mr. Raza Mansha (Director/CEO)
- Mr. Khalid Niaz Khawaja (Independent Director)
- Mr. Mohammad Arif Hameed (Non-Executive Director - retired during the year)
- Mr. Usama Mahmud (Independent Director - elected during the year)
- Mr. Mahmood Akhtar (Non-Executive Director)
- Mr. Shahzad Ahmad Malik (Non-Executive Director)
- Mr. Farid Noor Ali Fazal (Director/ Executive Director Marketing)

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

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

During financial year 2020 the BOD met four times. The board itself is compliant with all the regulatory requirements and acted in accordance with applicable laws and best practices.

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

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

The Board also monitored followings:

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

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

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

Naz Mansha

Naz Mansha
Chairperson

Lahore
September 17, 2020

TERMS OF REFERENCE OF AUDIT COMMITTEE

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

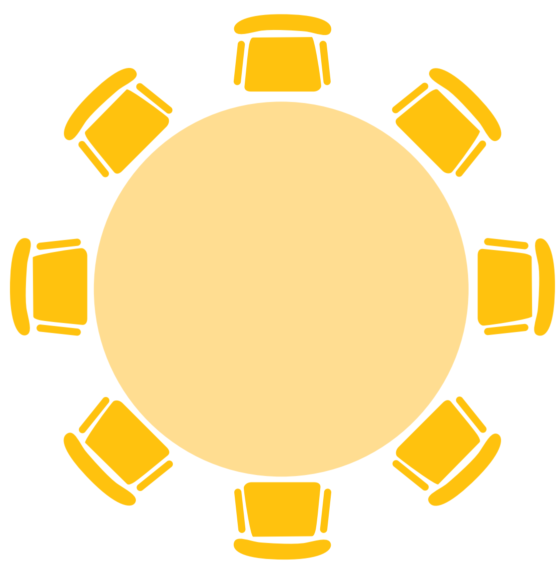
The terms of reference of the Audit Committee shall also include the following:

(a) determination of appropriate measures to safeguard the company's assets;
(b) review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, focusing on:
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - the going concern assumption;
   - any changes in accounting policies and practices;
   - compliance with applicable accounting standards;
   - compliance with listing regulations and other statutory and regulatory requirements; and
   - significant related party transactions.

(c) review of preliminary announcements of results prior to publication;
(d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
(e) review of management letter issued by external auditors and management's response thereto;
(f) ensuring coordination between the internal and external auditors of the company;
(g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
(h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
(i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
(j) review of the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
(k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
(l) determination of compliance with relevant statutory requirements;
(m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
(n) consideration of any other issue or matter as may be assigned by the Board of Directors.

TERMS OF REFERENCE OF HUMAN RESOURCE AND REMUNERATION COMMITTEE

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



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (Code of Corporate Governance) Regulations, 2019

Name of company : D. G. Khan Cement Company Limited
Year ended : June 30, 2020

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

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

   a. Male: 6
   b. Female: 1

2. The composition of board is as follows:

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

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

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

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

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

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

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

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

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

While Mr. Usama Mahmud will undertake the Directors' Training Program within the stipulated time.

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

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

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

    a) Audit Committee
    1. Mr. Khalid Niaz Khawaja (Independent Director) – Chairman

2. Mr. Usama Mahmud (Independent Director)
3. Mr. Mahmood Akhtar (Non-Executive Director)

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

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

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

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

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

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

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

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

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

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

(Mian Raza Mansha)
Director/CEO

Naz Mansha
(Mrs. Naz Mansha)
Director/Chairperson

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF D.G. KHAN CEMENT COMPANY LIMITED

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of D. G. Khan Cement Company Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

AFerguson + Co

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

Date: September 17, 2020
Name of engagement partner: Amer Raza Mir

BOARD AUDIT COMMITTEE REPORT

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

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

BAC comprises of three members:

- Mr. Khalid Niaz Khawaja (Chairman / Independent Director)
- Mr. Mohammad Arif Hameed (Member/Non-Executive Director) – retired during the year
- Mr. Mr. Usama Mahmud (Member/Independent Director) – joined during the year
- Mr. Mahmood Akhtar (Member/Non-Executive Director)

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

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

During FY20, BAC met four times. CFO and internal auditors are regular participants of the meeting. BAC also meets external and internal auditors independently once a year.

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

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

The Board Audit Committee has reviewed the performance and operations of the Company for the year ended June 30, 2020 and reports that:

- Internal controls of the company are sound and are working properly;
- Departments of the company are working in line with company objectives;
- Records are maintained in accordance with applicable laws and regulations;
- Financial statements are in conformity with applicable laws and regulations;
- Code of Corporate Governance is followed;
- Being at arm's length, related party transactions are recommended to the Board for approval;
- Recommended the present auditors, M/S A.F. Ferguson & Co. Chartered Accountants, for reappointment for year ending June 30, 2020

Khalid Niaz Khawaja
Chairman Board Audit Committee

Lahore
September 17, 2020

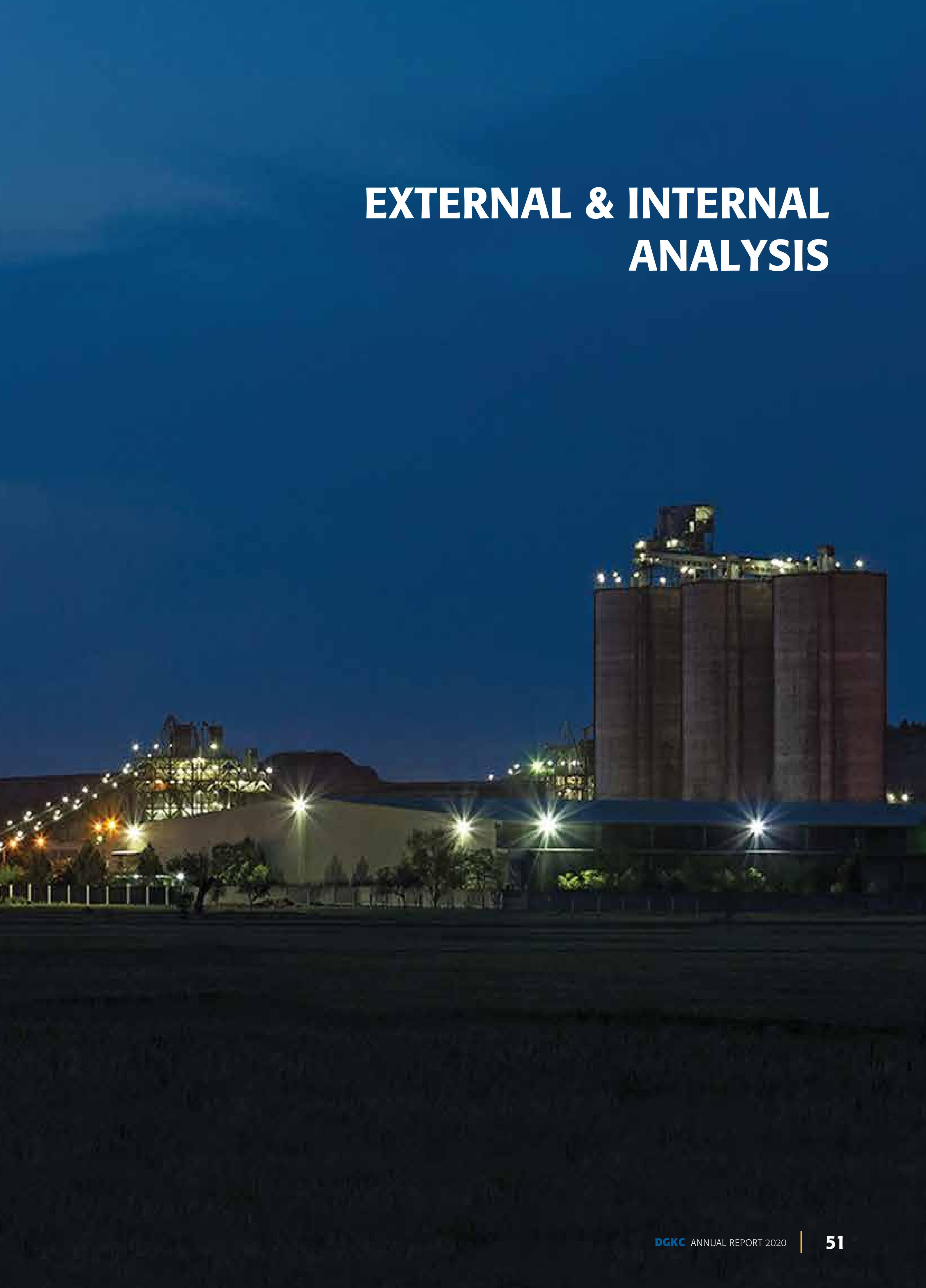
EVENT CALANDER FROM JULY 01, 2019 TO JUNE 30, 2020

Date	Event
July 04, 2019	Material information sent to Stock Exchange regarding signing of agreement with Sinoma Energy Conservation Ltd., for supply of Machinery and Equipment for Waste Heat Energy Power Generation Plant of 10MW and Coal Fired Power Generation Plant of 30MW to be setup at Hub Cement Plant, Baluchistan.
July 19, 2019	Notice of Meeting of HR&R Committee sent to Members of HR&R Committee.
July 26, 2019	Meeting of the Members of HR&R Committee conducted.
September 05, 2019	Notice for Meeting of Board Directors for consideration of Annual Audited Accounts for the year ended June 30, 2019 sent to Stock Exchange.
September 06, 2019	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
September 06, 2019	Notice for Meeting of Board Directors for consideration of Annual Audited Accounts for the year ended June 30, 2019 sent to Board of Directors.
September 16, 2019	Meeting of the Members of Audit Committee conducted for recommendation of Annual Audited Accounts for the year ended June 30, 2019, related party transactions, appointment of External Auditors etc.etc. to the Board of Directors for their approval.
September 16, 2019	Meeting of the Board of Directors conducted for consideration and approval of Annual Audited Accounts for the year ended June 30, 2019, Dividend, Director's Report, Related Party Transactions, Appointment of External Auditors, Agenda and Venue of AGM, Special Business Under Section 199 of the Companies Act, 2017 etc. etc.
September 16, 2019	Financial Results for the year ended June 30, 2019 and other Coprorate Actions Sent to Stock Exchange immediately after conclusion of Board Meeting.
October 02, 2019	Notice of AGM Sent to Pakistan Stock Exchange
October 02, 2019	Notice of Annual General Meeting published in Newspapers.
October 17, 2019	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
October 17, 2019	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 1st Quarter ended September 30, 2019 Sent to Directors and Stock Exchange.
October 23, 2019	Notice for 1st Meeting of Board Directors of newly elected directors for appointment of Chairman of the Board and CEO and re-constitution of Board Committees Sent to Directors.
October 25, 2019	Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the 1st Quarter ended September 30, 2019, Related Party Transactions etc. etc. to the Board of Directors for their approval.
October 25, 2019	Meeting of the Board of Directors conducted for consideration and approval of Un-Audited Accounts for the 1st Quarter ended September 30, 2019, Directors Report, Related Party Transactions etc. etc.
October 25, 2019	Financial Results for the 1st Quarter ended September 30, 2019 along with other Coprorate Actions, if any, Sent to Stock Exchange immediately after conclusion of Board Meeting.
October 28, 2019	Annual General Meeting conducted and Shareholders approved Annual Audited Acounts, 10% Final Dividend, Election of Directors, Appointment of External Auditors and Investments under Section 199 of the Companies Act, 2017.
October 28, 2019	Certified Copy of Special Resolutions Passed by the Shareholders in their Annual General Meeting held on October 28, 2019 sent to Stock Exchange.

Date	Event
October 30, 2019	1st Meeting of the newly elected Board of Directors conducted for appointment of Chairman of the Board and CEO and re-constitution of Board Committees Sent to Directors
November 19, 2019	Corporate Briefing Session on FY2019 was held at LSEFLS Auditorium, LSE Plaza, 19 Khayaban-e-Aiwan-e-Iqbal, Lahore
November 14, 2019	Intimation regarding credit of 10% Final Dividend for the year 2019 through eDividend sent to Stock Exchange.
November 15, 2019	Minutes of Annual General Meeting held on October 28, 2019 sent to Stock Exchange.
December 23, 2019	Material information sent to Stock Exchange regarding successfull installation and commissioning of 12 MW Waste Heat Recovery Power Plant (WHRPP) with Air Cooled Condenser (ACC) technology at Khairpur.
February 04, 2020	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the half year ended December 31, 2019 sent to Stock Exchange.
February 06, 2020	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
February 06, 2020	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the Half Year ended December 31, 2018 Sent to Directors.
February 13, 2020	Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the Half Year ended December 31, 2019, Related Party Transactions etc. etc. to the Board of Directors for their approval.
February 13, 2020	Meeting of the Board of Directors conducted for consideration and approval of Un-Audited Accounts for the Half Year ended December 31, 2019, Directors Report, Related Party Transactions.
February 13, 2020	Financial Results for the Half Year ended December 31, 2019 along with other Coprorate Actions, Sent to Stock Exchange immediately after conclusion of Board Meeting.
March 26, 2020	Material Information Sent to Stock Exchange regarding temporary suspension of Plant Operation due to COVID-19.
April 06, 2020	Material Information Sent to Stock Exchange regarding restoration of Plant Operation at Khofli Sattai, Dera Ghazi Khan
April 16, 2020	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2020 Sent to Stock Exchange.
April 16, 2020	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
April 16, 2020	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2020 Sent to Board of Directors.
April 17, 2020	Material Information Sent to Stock Exchange regarding restoration of Plant Operation at Khairpur, Distt Chakwal.
April 23, 2020	Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the 3rd Quarter ended March 31, 2020, Related Party Transactions etc. etc. to the Board of Directors for their approval.
April 23, 2020	Meeting of the Board of Directors conducted for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2020, Directors Report, Related Party Transactions etc. etc.
April 23, 2020	Financial Results for the 3rd Quarter ended March 31, 2020 along with other Coprorate Actions, if any, Sent to Stock Exchange immediately after conclusion of Board Meeting.

KHAIRPUR KALARKAHAR - PLANT SITE

EXTERNAL & INTERNAL ANALYSIS



EXTERNAL FACTORS AFFECTING COMPANY'S BUSINESS (PESTEL)

Factors	Description	Organization Reponses
Political	• It determines how government policy and actions intervene in the economy and other factors that can affect a business. • Political instability and transition of government impacts the organization negatively. • Rapid changes in Government's macroeconomic policies also adversely impact the Company's business.	• Management look at tariffs, trade deals as they are developed not only by the economics or business side but what political relationships influence those decisions. • Management proactively plans for the different demand scenarios with help of budgeting, forecasts and projections. • Timely adjustments are made in the organizational processes and policies in response to actual or anticipated changes in Government policies. • Issues relating to the Cement Industry are dealt with through the forum of APCMA.
Economic	• Extensive competition, devaluation of currency, fluctuating interest rates and higher inflation. • Low Government's development spending, prevailing pandemic and lower economic growth, construction activities slow-down.	• Management continues to identify new markets for its products, internationally to offset local demand contraction and hedge currency fluctuation. • Company constantly strives to bring efficiencies in its manufacturing process and energy mix, which supports in mitigating adverse effect of increase in production cost.
Social	• Focus on Corporate Social Responsibility, Donations, development of communities and Scholarships.	• As a socially responsible corporate entity, DGKC strives hard to develop the communities in which it operates by ensuring compliance with all requirements of CSR. • It donates generously to various social and charitable causes including health, education and social sectors. • It also provides clean water, free education through schools, medical facilities and fire fighting services in arears nearby the sites.
Technological	• Risk of technological obsolescence. • Technological innovation by competitors	• To continue its legacy of being among the unparalleled leaders of the cement industry, DGKC has always given priority to latest technological developments. • DGKC has installed WHR 12MW alternative energy plant at its Khairpur site. • Continuous investment in key technological software to achieve operational excellence.
Environmental	Environmental Footprint, Recycling, Climatic Conditions Global warming, Natural disasters etc.	• The Company takes various steps to protect the environment including compliance with applicable environmental standards. • Company has approved standards of ISO for complying with an effective environmental management system. • Waste is collected from cities and is used as alternate fuel. • Investment in Waste Heat Recovery system so as to minimize Company's impact on the environment due to its operations.
Legal	Compliance with the applicable legal and regulatory requirements	DGKC has a dedicated team of professionals which ensures that all its processes comply with the applicable regulatory requirements. It ensures that all taxes and duties payments, whether income tax or sales tax, are made timely by having an effective cash management system in place.

SWOT ANALYSIS

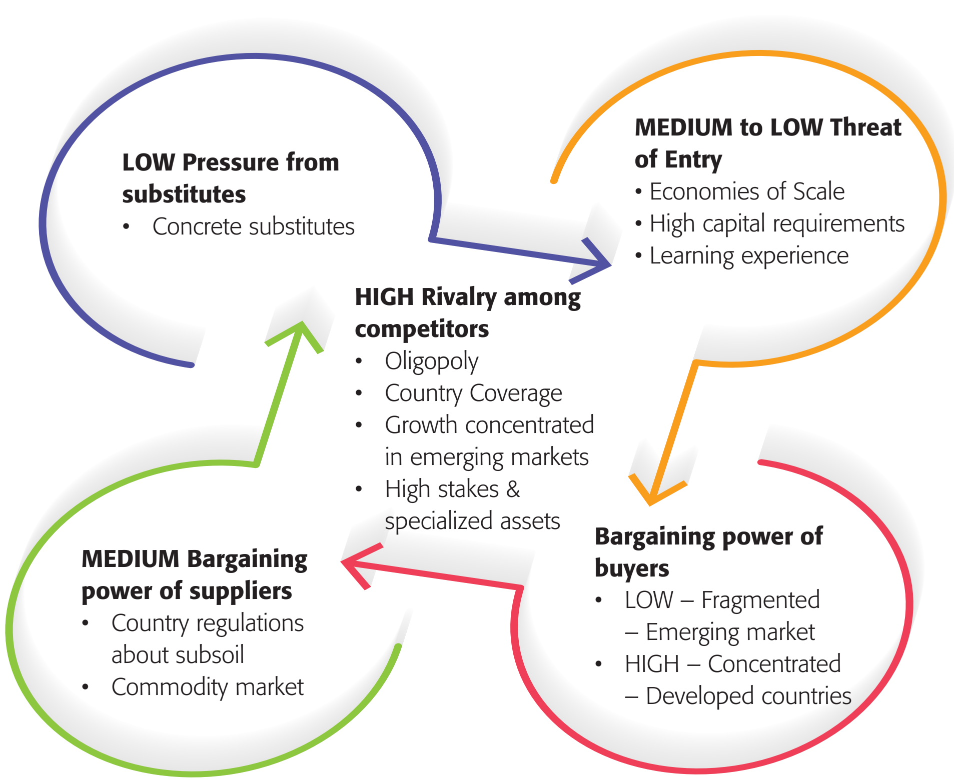
Strength
- Strong brand recognition
- Well diversified fuel mix % & efficient operations
- Strong financial position
- Quality and efficiency of human resources
- Easy access to production resources
- Trusted and efficient supply chain
- Geographically diversed & state-of-art production facilities production facilities
- Self sufficiency in electricity requirement (self sufficiency in HUB shall be achieved by financial year end 2021)

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

Opportunities
- Future growth potential due to emphasis on construction industry
- Focus on cost optimizing
- Emerging export markets
- Export opportunities due to fully operational HUB facility
- Falling fuel prices amid corona outbreak
- CPEC led growth opportunities

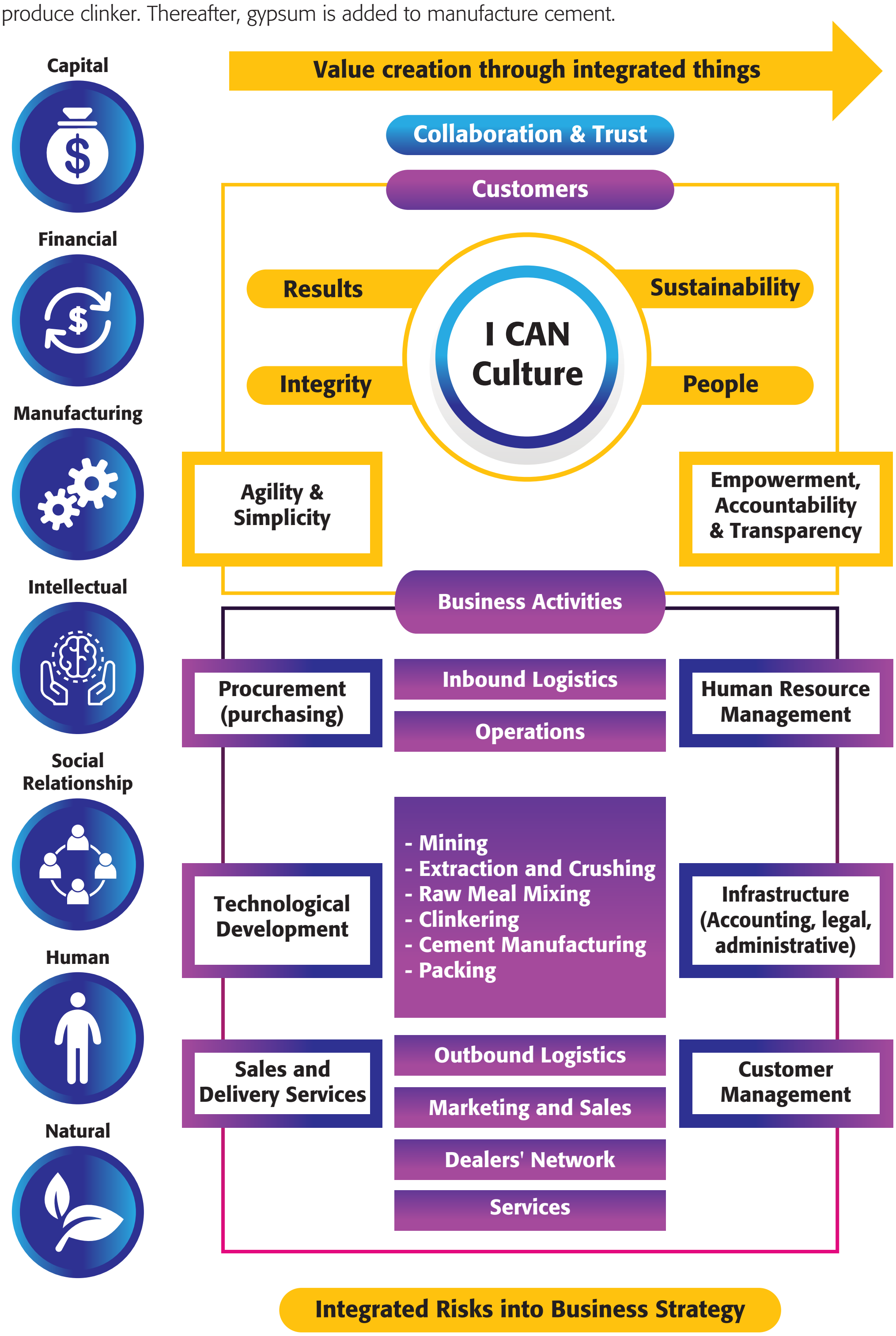
Threats
- Overcapacity effecting the margins
- Devaluation of money
- Inconsistent economic policies
- Protectionism
- Covid-19 impact
- Rising cost of logistics
- High cost of financing
- Slashing PSDP funds

COMPETITIVE ANALYSIS
(PORTER'S FIVE FORCES)



VALUE CHAIN ANALYSIS

DGKC principal business activity is to produce and sell clinker and cement products. Manufacturing cement involves blending a mixture of limestone and other minerals at a high temperature in kilns. Coal is used to heat the kiln at desired temperature to produce clinker. Thereafter, gypsum is added to manufacture cement.



Value created for our stake holders

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

Customers
- Sustainable and cost saving product
- Increased customer satisfaction

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

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

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

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

RISK MANAGEMENT

Risk is an integral and unavoidable component of business and your Company is committed to managing risk in a proactive manner. Though risks cannot be completely eliminated; an effective risk management plan ensures that risks are reduced, avoided, retained or shared. To have oversight of your Company's risks, the Risk Management Committee of your Company is mandated to review the risk management plan / process of your Company. Through the periodic risk reports processes which are based upon Business Environment, Operational Controls and Compliance Procedures, your Company aims to assess and prioritize risks according to their significance and likelihood.

Given the challenging and dynamic environment of your Company's operations, strategies for mitigating the inherent risks in accomplishing the ambitious plans for your Company is imperative. Two types of key risks are identified and strategies to mitigate them are discussed below:

1. Non Business Risks
2. Business Risks

Non Business Risks

Economic Environment and Market Demand

Economic slowdown and subdued infrastructural development might lead to low cement demand in the country. The demand for construction material is fundamentally driven by economic growth / contraction in the country. The growth in construction activity in the country has been slow over the last few years, impacting the cement demand.

The cement industry in Pakistan is a myriad aggregation of small and large players. In such an environment the risk of protecting market share is optimal. With the expanding capacities of existing players and also the emergence of new entrant's, competition is a sustained risk. Endeavors to enhance brand equity through innovative marketing activities and continuous efforts in improving the product portfolio and value adding services have been the thrust areas for your Company. It is also worthwhile to note that the engineering expertise of your Company and the emphasis on quality also substantially minimizes the risk of market fluctuations.

Inflation and Cost of Production

Your Company faces the risk of inflationary nature and market-driven cost of coal, pet coke, power & other fuel and high limestone & clay royalty. Changes in energy prices can significantly impact the production costs as the cement industry is extremely energy intensive. To de-risk, your Company has established specific policies of long deliveries and continuously optimizes its fuel mix and energy efficiency as well as explores the use of alternative fuels.

Legal and Compliance

The risk that your Company is found to have inadvertently violated laws covering business conduct. The country's regulatory framework is ever evolving and the risk of non-compliance and penalties may increase for your

Company, leading to reputational risks. A comprehensive risk based compliance program involving inclusive training and adherence to the Code of Conduct is institutionalized by your Company. The management encourages employees to place reliance on professional guidance and opinion to discuss the impact of any changes in laws and regulations to ensure total compliance. Periodic and ad hoc reporting to various internal committees for oversight ensures effectiveness of such program.

Financial and Accounting Risks

The risk of exposure to interest rates, foreign exchange rates and commodity price fluctuations. With the objective of minimizing risks arising from uncertainty and volatility of foreign exchange fluctuations an elaborate financial risk management policy is followed for every transaction undertaken in foreign currency. Your Company's policies to counter such risks are reviewed periodically and aligned with the financial market practices and regulations.

Changing laws, rules, regulations and standards relating to accounting, corporate governance, public disclosure and listing regulations are generating newer and unforeseen risks for companies. The new or changed laws, regulations and standards may lack precedence and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. Your Company maintains a high standard of corporate governance and public disclosure to de-risk itself from such dynamic regulatory changes.

Information Technology Risks

Risks related to Information Technology systems; data integrity and physical assets. Your Company deploys Information Technology systems including ERP, SCM, Data Historian and Mobile Solutions to support its business processes, communications, sales, logistics and production. Risks could primarily arise from the unavailability of systems and / or loss or manipulation of information. To mitigate these risks, your Company uses back up procedures and stores information. Systems are upgraded regularly with the latest security standards. For critical applications, security policies and procedures are updated on a periodic basis and users are educated on adherence to the policies so as to eliminate data leakages.

Talent Management

Your Company's growth has been driven by the ability to attract and retain top quality talent and effectively engage them in the right jobs. The risks in talent management are mitigated by following a policy of being an employer of choice and inculcating a sense of belonging. Specialized training courses are adopted to enhance and re-skill the employees to prepare them for future roles and create a talent pipeline.

BUSINESS RISKS

Risk Head	Type of Risk	Probable Impact	How it is handled/mitigated
Imported Coal	**Availability**	Imported coal is the main burning stuff of kilns and its non-availability could hamper production	• Maintaining stock levels • Relationship with international coal suppliers. • Replacing some portion of coal with alternate fuels.
	Price	Coal price could heavily impact cost of sales and therefore income statement. Considering huge size of coal consumption its monetary effect would be large.	• Price is monitored vigilantly. • Shipments are booked at best available prices considering the stock levels.
	FX	As price is in USD therefore, any movement in PKR/USD parity could affect income statement.	• FX movements are monitored vigilantly and steps are taken to hedge against probable heavy FX losses.
Energy	**Availability**	Energy (either Electricity or Gas) availability from governmental sources is in serious situation and not guaranteed. Energy is the lifeline of plant and its non-availability could stop plant operations.	• Captive power houses are built. • Captive power units are designed on dual fuel basis i.e., Gas & Furnace oil. • Reliance on single fuel is avoided. • Waste Heat Recovery plants are installed. • Coal based captive power plant at DGK installed to avoid reliance on national grid and gas. • At KHP site 12MW WHR plant is installed. • CEPP & WHR at Hub is underway.
	Price	Coal price could heavily impact cost of sales and therefore income statement. Considering huge size of coal consumption its monetary effect would be large.	• Mix of various energy sources is always made in a way so as to achieve best in cost terms. • New plants and innovations are being installed to minimize the cost of energy. • Waste Heat Recovery plants are a source of energy at negligible price.
Raw materials Limestone, Gypsum etc.	**Availability**	If supply of raw material is disrupted it could hamper the operations.	• Enough land areas and mines are obtained to secure supply of raw materials. • Factory sites are adjacent to main raw material quarries.

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

EFFECT OF SEASONALITY ON BUSINESS:

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

STAKEHOLDERS' ENGAGEMENT AND ANALYSIS

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

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

The following stakeholders are being engaged by the Company regularly to add value to the Company and relationship of the Company with the respective stakeholders:

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

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

KEY PERFORMANCE INDICATORS

Sr. No.	OBJECTIVES	MEASURES
1	Market Share Increase	• Increase in number of major customers • Local market share increased from 13.2% to 13.4%
2	Sustainable Development	Water conservation and Plantation
3	HR Excellence	Reduced employee turnover and higher return on human capital
4	Improved Alternative Energy Resources	Installation of new waste heat recovery plant 12MW and reduced dependency on grid
5	Improved Corporate Governance And Strategy	Compliance with SOPs, Laws and regulations
6	Social And Economical Development	Funds allocation to corporate social responsibility
7	Customer's Satisfaction	Zero complain regarding cement quality

Management believes that current KPIs countinue to reman relevant in future.

HUB, LASBELA - PLANT SITE

BUSINESS PERFORMANCE REVIEW

KEY HIGHLIGHTS 2019-20 UNCONSOLIDATED

(Rupees in thousand)

Sales

2019	40,516,525
2020	38,033,124
Percentage	-6%

Gross Profits

2019	5,362,439
2020	1,585,906
Percentage	-70%

Profit/(loss) after tax

2019	1,609,759
2020	(2,158,661)
Percentage	-2.3 times

Total Assets

2019	125,941,425
2020	129,551,534
Percentage	3%

Earning/(loss) per Share

2019	3.67
2020	(4.93)
Percentage	-2.3 times

Dividend per Share

2019	1
2020	Nill
Percentage	-100%

KEY HIGHLIGHTS 2019-20 CONSOLIDATED

(Rupees in thousand)

Sales	
2019	43,627,007
2020	41,592,686
Percentage	-5%

Gross Profits	
2019	5,674,200
2020	1,965,776
Percentage	-65%

Profit/(loss) after tax	
2019	1,864,883
2020	(2,229,185)
Percentage	-2.2 times

Total Assets	
2019	132,500,469
2020	135,310,715
Percentage	2%

Earning/(loss) per Share	
2019	4.16
2020	(5.05)
Percentage	-2.2 times

CHAIRPERSON'S MESSAGE

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

Financial Year 2020 has seen the declining profitability in cement industry showing dismal performance due to a combination of factors, including tight fiscal consolidation, dwindling local demand, rising cost of production and global/country-wide slowdown of economy due to severe lockdown measures. Border tensions with India since February 2019 also resulted in decline in exports of cement industry. As a result, overall utilization of the industry shrinked to about 75% as compared to 84% in FY19. Due to fierce competition resulting from increase in cement production capacity in the country, rise in costs could not be fully passed on to customers, affecting profitability.

Facing Covid-19 challenges, the Federal Government announced special package for construction sector including subsidies for low cost housing and speed up mega projects under CPEC; hoping for new employment opportunities and ultimate revival of economy. I expect better economic activity in the coming years as Government is fully focused on uplifting this sector of the economy. World economy is also at rock bottom and may continue to remain there in the short run. Beyond 2022, I expect overall world economy may recover from depression. With CPEC entering into new phase and new Free Trade Agreement with China, Pakistan is becoming lucrative for investment.

I am hopeful that the Country will bounce back to make significant progress. The industry will revive. The Company will keep its values, maintain its policy of persistent struggle and steer for continuous growth.

Mrs. Naz Mansha
Chairperson

Lahore
September 17, 2020

CHIEF EXECUTIVE'S REVIEW

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

Industry numbers for growth are not encouraging for FY20. The year was a bumpy ride for the cement sector in particular and country in general. It witnessed high general inflation, rising utility prices and tight fiscal consolidation affecting the purchasing power of people. When the country began to stabilize and Government was looking for growth driven programs in third quarter, Covid-19 broke out in China and spread to other parts of the world. In response, all the countries, including Pakistan, enforced strict measures closing almost all the business activities; affecting the last quarter of FY20. Federal Government, seeking relief from IMF program, announced special package for construction sector in July to kick start the economic activity; financial impact of this will be witnessed in the coming years.

The North region reported positive year on year growth which was offset by the negative growth in South Zone. Swelled exports of South Zone mainly comprised of clinker that is a less value-added commodity than cement. High competition due to increase in production capacity resulted in price war that affected overall profitability of the industry.

Your Company capacity remained optimally utilized throughout the year. Despite having less margin, your Company exported clinker to contribute towards fixed costs and earned valuable foreign exchange reserves of USD 59 million for the country. With upcoming new Waste Heat Recovery plant and Coal Fired Power Plant at Hub site, these margins would improve and would contribute towards overall profitability. Discount rates dropped to 7% in June 2020 providing much needed breathing space for the industry. If continue to remain low for FY21, it would improve profitability/cashflows for the industry and speed up circulation of wealth in the country. Federal Government announced mega construction projects (dams, railway etc) and subsidies for low cost housing. Stretched from North to Centre to South, your Company is well placed to cater this demand in the coming months. With fully operational facility at Hub site, your Company is also looking for the new avenues of export market.

Raza Mansha

Chief Executive Officer

Lahore

September 17, 2020

GLOBAL ECONOMY

World economy in the financial year 2019–20 was on a roller-coaster ride facing many uncertainties. In the start of the year, global growth was projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021. Market sentiment were also boosted by tentative signs that manufacturing activity and global trade were bottoming out, a broad-based shift toward accommodative monetary policy, initial favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit, led to some retreat from the risk-off environment.

In the mid of December 2019, a respiratory flu novel Covid-19 broke out allegedly in China that spread out in other parts of the world hitting almost all the countries. By the end of January 2020, it was declared pandemic by World Health Organization. Almost all the countries, to some extent, enforced the draconian measures of shutting down normal business activities, pushing people towards lock down. Fear and chaos that led to decline in consumption pattern and precautionary savings also added fuel to fire. Resultantly, almost all the countries in the world moved towards recession similar to the one world faced in 1930s. This coupled with escalated trade war, protectionism and regional conflicts aggravated the economic uncertainty. IMF projected the downward growth of -4.9% for 2020. Countries world-wide announced economic packages to support declining consumption pattern. World economy is projected to bounce back to 2019 level in 2021. Projected economy for 2020 and 2021 for different economies are as follows:

Countries	2019 (Actual)	2020 (Projected)	2021 (Projected)
Pakistan	1.9	(0.4)	1.0
India	4.2	(4.5)	6.0
China	6.1	1.0	8.2
Bangladesh	7.9	2.0	9.5
Russia	1.3	(6.6)	4.1
UK	1.4	(10.2)	6.3
USA	2.3	(8.0)	4.5
Germany	0.6	(7.8)	5.4
Japan	0.7	(5.8)	2.4
France	1.5	(12.5)	7.3

(International Monetary Fund | World Economic Outlook June 2020)

PAKISTAN ECONOMY

Review of Financial Year 2019-20

Pre-Covid-19 FY20 was looking better than FY19 for Pakistan's economy. Government efforts of addressing structural issues causing macroeconomic imbalances were bearing fruit. Business confidence in Pakistan's economy improved and the twin deficits were being tamed. Country saw a higher FDI inflow, and green shoots of recovery were emerging in the export sectors. While the quantum of exports in dollar terms didn't increase significantly, the export based diversified and market share of exporters was increasing. IMF was of the view that this would lead to economic recovery, putting Pakistan on the track for sustainable growth. Ease of doing business score for Pakistan also improved However, due to the Coronavirus outbreak, the outlook of the economy changed. The growth which was projected at 2.4% for FY20 and 3% for FY21 was revised downwards. IMF predicts the economic growth for FY20 to slow down to -0.4%, before recovering to 1.0% in FY21. Pakistan's economy is largely consumption driven and due to the pandemic, many industries which rely on consumer spending both in manufacturing and services segments have been impacted.

To fight the invisible enemy, Government has introduced different fiscal and monetary measures to respond the grave challenge:

Fiscal measure of PKR 1.24 trillion mainly:

- elimination of import duties on emergency health equipment
- relief to daily wage workers (PKR 200 billion)
- cash transfers to low-income families (PKR 150 billion)
- accelerated tax refunds to the export industry (PKR 100 billion)
- financial support to SMEs (PKR 100 billion)
- accelerated procurement of wheat (PKR 280 billion)
- financial support to utility stores (PKR 50 billion)
- relief in fuel prices (PKR 70 billion)
- support for health and food supplies (PKR 15 billion)
- electricity bill payments relief (PKR 110 billion)
- an emergency contingency fund (PKR 100 billion)
- a transfer to the National Disaster Management Authority (NDMA) for the purchase of necessary equipment to deal with the pandemic (PKR 25 billion)

Monetary & macro-financial policy measures include:

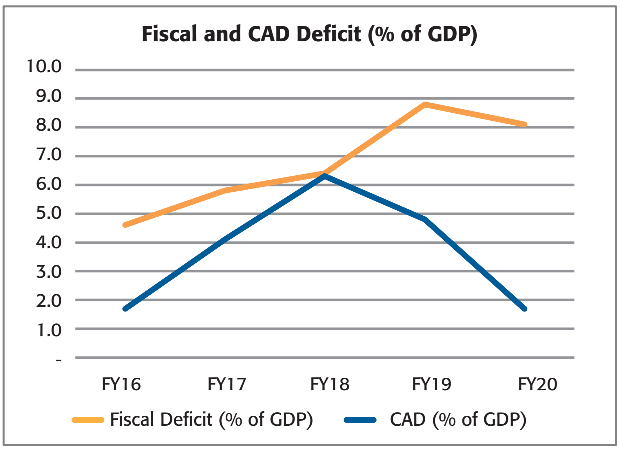
- SBP has responded to the crisis by cutting the policy rate three times to 7.0%.
- SBP has introduced 3 refinancing facilities for:
  - » supporting hospitals and medical centers to purchase equipment to detect, contain, and treat COVID-19
  - » stimulating investment in new manufacturing plants and machinery
  - » incentivizing businesses to avoid laying off their workers during the pandemic
- SBP introduced temporary regulatory measures to maintain banking system soundness and sustain economic activity. These include:
  - » reducing the capital conservation buffer by 100 basis points to 1.5%,
  - » incentivizing businesses to avoid laying off their workers during the pandemic
  - » increase the regulatory limit on extension ofcredit to SMEs by 44% to PKR 180 million
  - » relaxation of the debt burden ratio for consumer loans from 50% to 60%

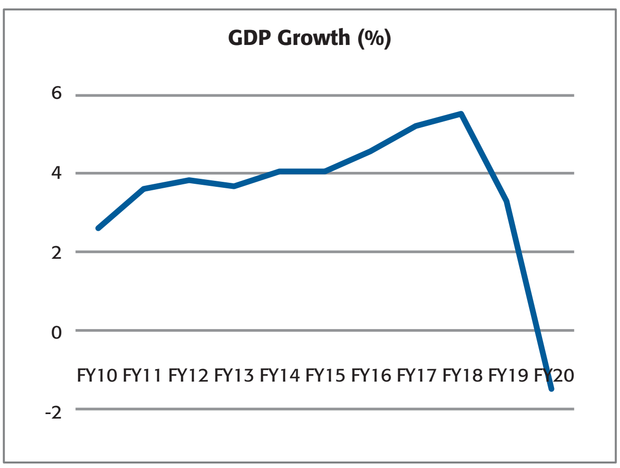
» allowing banks to defer clients' payment of principal on loan obligations by one year

Key Performance Indicators for FY19-20 are as follows:

Parameters	FY16	FY17	FY18	FY19	FY20
GDP ($ Bn)	279	305	321	290	264
GDP Growth %	5.6	5.2	5.5	3.3	-1.5
GDP per capita ($)	1,529	1,630	1,652	1,455	1,355
CPI%*	2.9	4.2	3.9	8.9	11.1
Import (US$ Bn)	41.3	48.7	55.7	52.0	42.4
Exports (US $ Bn)	22.0	22.0	24.8	24.3	22.5
Fiscal Deficit (% of GDP)	4.6	5.8	6.4	8.8	8.1
CAD (% of GDP)	1.7	4.1	6.3	4.8	1.7

Source: Economic Survey of Pakistan 2019-20





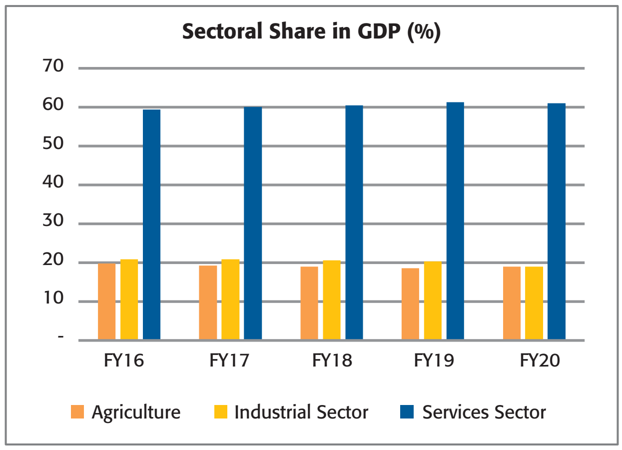
The official assessments estimate an initial loss of PKR 3 trillion (around USD 15 billion) to the economy. A condensed income for a vast part of the population will result in shrinking the tax base. Tax collection which was growing at the rate above 17 percent during July-February, witnessed a significant decline in the last quarter. After the outbreak of COVID-19 pandemic, an average negative growth rate of 13.4 percent was recorded during March 2020 and April 2020 as compared to last year. Coupled with relief packages, fiscal deficit was expected to increase and missed the initial budgeted target. The Ministry of Commerce has estimated that the exports losses may be as significant as USD 4 billion.

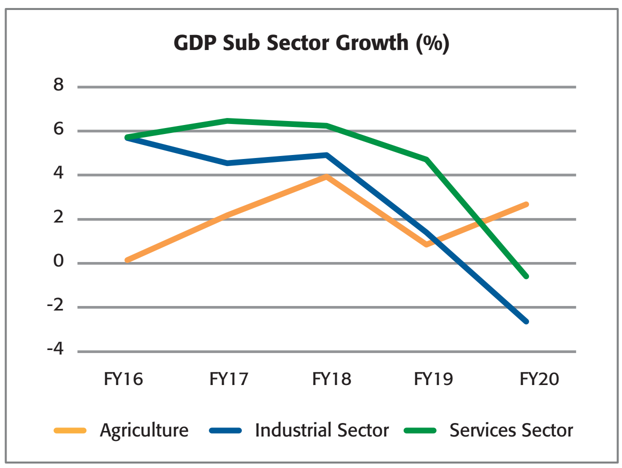
Sector wise share in GDP can be summarized as follows:

Sector	FY16	FY17	FY18	FY19	FY20
Agriculture	20	19	19	19	19
Industrial Sector	21	21	21	20	19
Services Sector	59	60	60	61	61

Source: Economic Survey of Pakistan 2019-20

Graphically, it can be represented as follows:





Agriculture sector showed growth of 2.67% due to increase in production of wheat, rice and maize. Further, agriculture sector largely remained unaffected by COVID due to timely govt measures. Growth in agriculture sector was offset by negative growth of 2.67 % in industrial sector primarily due to COVID1-9 impact and after effects of fiscal and monetary measures.

Budget 2020-21:

The Federal Budget 2020-21 has been approved in extraordinary and unpredictable economic circumstances due to prevalent COVID 19 pandemic. Total outlay of the budget is Rs 7,137 billion and growth target is aimed at 2.0%. No additional tax was imposed. The budget largely differed from 2019-2020 in providing incentives to construction sector in the form of subsidies and lowering of tax, social protection programs and to promote 'Make in Pakistan brand'.

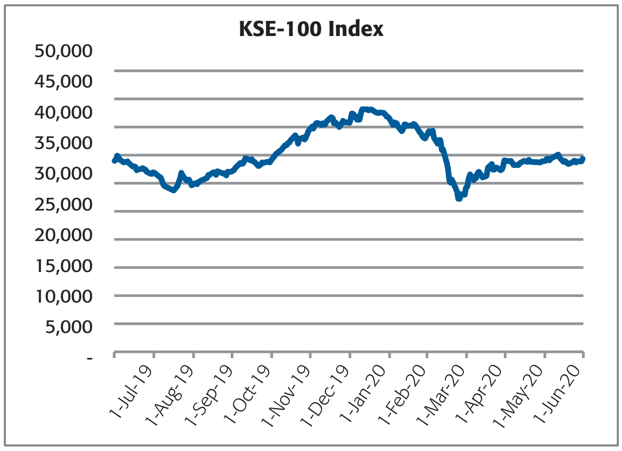
Salient features of budget 2020-21 are as follows:

	Budgeted 2020-21	Budgeted 2019-20
	Rs in Billion	
Federal Revenue		
FBR taxes	4,963	5,555
Other Taxes	501	268
Non- Tax Revenue	1,109	894
	6,573	6,717
Total Outlay of Federal Budget	7,137	7,022
Federal PSDP	650	701
Provincial Share in Federal Taxes	2,874	3,255
Markup Payment (Local and Foreign)	2,946	2,891
Fiscal Deficit % of GDP	7.00%	7.10%

Total budgeted national PSDP for the year FY 2020-21 is Rs 1,324 billion (including 650 billion Federal PSDP).

Pakistan Stock Exchange Performance:

In the first quarter of FY2020, Pakistan and the IMF agreed on a $6 billion 39-Month Extended Fund Facility (EFF) arrangement for Pakistan to reduce economic vulnerabilities and generate balanced growth. The government took austerity measures and the State Bank of Pakistan (SBP) adopted a double-digit policy rate. The stabilization program slowed down the growth and investment. The high interest rate attracted foreign investors and capital began flowing in to the Pakistan's debt market. The fiscal year 2019-20 started with the stabilization measures and the SBP's double digit policy rate hurt the investors' confidence in the first quarter of FY2020. After the initial dip, the KSE-100 index exhibited an upward trend as exchange rate stabilized and the economy was on a path to recovery. The index opened at 33,902 points on July 1st, reaching the year's peak of 43,219 points on January 13th, 2020. However, as the COVID-19 was engulfing the world, capital began flowing out of the Pakistan's stock market. Between February 26th (the date when first COVID-19 case was reported in Pakistan) and March 31st, Pakistan's KSE-100 index benchmark dived 23.75 percent. Rupee depreciated by 8 percent against a strengthened dollar between Feb 26 and Mar 31, which severely constrained the spending power. However, in late March, government announced a fiscal stimulus package of more than Rs 1.2 trillion and the State Bank of Pakistan cut the policy rate by 425 basis points to 9 percent to make up for the projected loss. This was further reduced by 200 basis points to 7 percent by end of June. On June 30th, 2020, KSE-100 closed at 34,422 points, (up by 17.8 percent since March 31st) and market capitalization closed at Rs 6376.71 billion, gaining Rs 755.77 billion since March 31st. By the year end, KSE-100 index showed modest growth of 1.25%. Here, it is important to mention that PSX has outperformed the MSCI Emerging Market Index which fell by 19.61% during July-March.



Performance of Global Stock Market Indices:

During FY2020, on global front, protests in Hong Kong, trade war between United States and China, departure of United Kingdom from European Union, tensions between the United States and Iran, falling oil prices because of Russia, and COVID-19 pandemic drove the investors' emotions. Facing uncertainties on multiple fronts, almost all major global indices registered a negative growth in the first nine months of FY2020

Country / SE	Stock Name	%age Change (Jul-Mar 20)
Vietnam	Ho Chi Minh Stock index	-29.33%
Hong Kong	Hang Seng Index	-18.34%
Bangkok	Stock Exchange of Thai Index	-35.45%
Bombay	S&P BSE Sensex Index	-25.48%
Jakarta	Jakarta Composite Index	-28.87%
China	Shenzhen SE composite Index	-9.07%
Pakistan	KSE 100 Index	-13.78%

CEMENT SECTOR IN PAKISTAN

According to Directory issued by Global Cement in 2018, there were about 159 countries and territories that produced cement. Of the 159, 141 produced clinker and 18 countries only grinded imported clinker.

Pakistan Cement Industry is vibrant industry. It is one of highest contributory industries to national exchequer in terms of taxes. As per economic survey of Pakistan for FY 2019-20, construction sector contributes 2.53% in GDP and grew by 8.06% as compared to last year. Pakistan unlike China, India, United States, Iran, Turkey, Brazil, Russia, Saudi Arabia, Indonesia and Vietnam may not be among the top ten cement producing countries in the world, however, it is widely accepted in the world that the quality of Pakistani cement is second to none.

As per APCMA, existing capacity of Pakistan cement industry fragmented in two zones are as follows:

Zones	No. of Units	Cement Capacity (MT p.a.)
North	19	48,368,999
South	6	15,264,137
Total	25	63,633,137

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

Year	Operational Capacity (Tons)	Dispatches (Tons)			Capacity Utilization	Growth % Total	Growth % Local	Growth % Export
		Local	Export	Total				
2015-16	45,618,750	33,001,610	5,872,604	38,874,214	85.2%	9.82%	17.01%	-18.38%
2016-17	46,752,750	35,651,612	4,663,569	40,315,181	86.2%	3.71%	8.03%	-20.59%
2017-18	48,664,250	41,147,391	4,746,028	45,893,419	94.3%	13.84%	15.42%	1.77%
2018-19	55,995,625	40,344,392	6,540,604	46,884,996	83.7%	2.16%	-1.95%	37.81%
2019-20	63,633,137	39,965,044	7,847,098	47,812,142	75.1%	1.98%	-0.94%	19.98%

Data from APCMA shows that the largest area of growth was in cement exports from southern Pakistan, up by 46% while northern exports fell by 22%. Conversely, domestic dispatches fell by 29% in the south and rose by 6% in the north, thus constituting 72% of total dispatches. Exports largely constitute of clinker sales from south up by 1.79 Mt (38%) from 4.74 Mt. while north region suffer Indian export market due to imposition of import duties after Palwama incident.

	(Metric tons)			
	2019-20	**2018-19**	**Variance**	**% (Inc/ Dec)**
Local				
North	34,327,506	32,362,744	1,964,762	6%
South	5,637,538	7,981,648	(2,344,110)	-29%
	39,965,044	**40,344,392**	**(379,348)**	**-1%**
Export				
North	1,970,388	2,528,276	(557,888)	-22%
South	5,876,710	4,012,328	1,864,382	46%
	7,847,098	**6,540,604**	**1,306,494**	**20%**
Total Dispatches	**47,812,142**	**46,884,996**	**927,146**	**2%**

COMPANY PERFORMANCE

Return on Equity

The Company's Return on Equity for FY20 is -3.24% (FY19: 2.27%)
ROE (w.r.t average equity) fell to -3.14% in FY2020 from 2.17% in FY2019. Average ROE for last six years is 8.05% with highest being 13.73% in 2016 and lowest in FY20. The fall in ROE is primarily due to fall in PAT in 2020.

ROE
(3.24%)

PROFIT MARGIN
PAT: PKR (2,158,661)
(-5.68%)

COGS:
PKR 36,447,218
95.83%

ADMIN EXPENSE:
PKR 658,874
1.73%

SELLING EXPENSE:
PKR 1,783,722
469%

OTHER EXPENSE:
PKR 529,640
1.39%

FINANCE EXPENSE:
PKR 4,653,286
12.23%

TAXATION:
PKR (1,597,257)
(4.5%)

OTHER INCOME:
PKR (2,429,575)
(6.39%)

ASSETS TURNOVER
29.36%

FIXED ASSETS:
PKR 83,548,622
64.49%

LONG TERM
INVESTMENTS:
PKR 11,849,828
9.15%

CURRENT ASSETS:
PKR 34,095,100
26.32 %

OTHERS:
PKR 57,984
0.04%

This includes investments

EQUITY MULTIPLIER
1.94 times

NON CURRENT
LIABILITIES:
PKR 25,283,120
19.52%

CURRENT
LIABILITIES:
PKR 37,624,257
29.04%

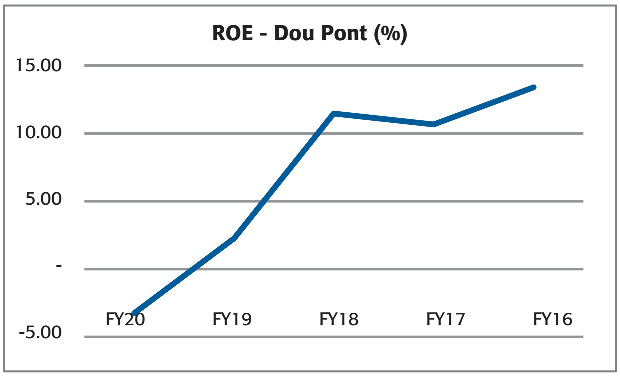
This includes fair value reserve on investment

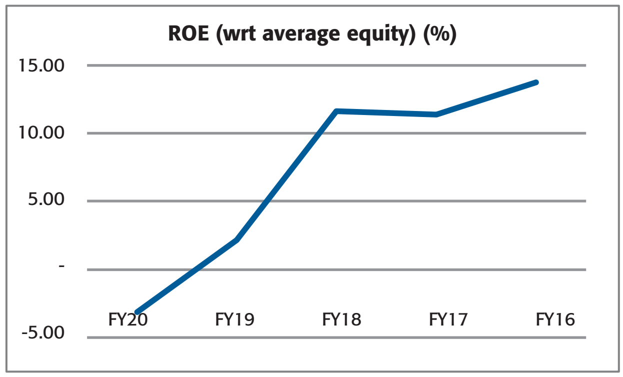
- ROE is calculated on year end total equity.
- All PKR Figures are in '000.

ROE ratios for last six years with different variables are summarized in the following table

	FY20	FY19	FY18	FY17	FY16	FY15
ROE (wrt average equity) (%)	(3.14)	2.17	11.63	11.34	13.73	12.32
ROA (wrt to average total assets) (%)	(1.69)	1.30	7.68	8.32	11.14	10.33
ROE (without fair value reserves) (%)	(4.26)	3.09	17.82	18.05	23.00	23.95
ROE (PBT/Equity) (%)	(5.64)	2.81	9.55	14.90	18.97	15.33

The Company earned a GP margin of 4.17% (FY19: 13.24%) with a corresponding 29.36% (FY2019: 32.17%) healthy asset turnover ratio, implying that the company is generating strong sales out of its assets making effective utilization of its resources. However, return on assets (wrt average total assets) fell to -1.69% (FY19: 1.3%) due to net loss of the Company in the FY20.





Volumes & Production

For FY2020, clinker production showed positive growth as compared to cement production which declined YOY. Semi-Finished product clinker export registered increase of 138.1% resulting in negative growth of cement production.

Cement exports to India halted due to imposition of 200% duty after Palwama Incident in February 2019. Local dispatches witnessed modest decline as local sales dipped by 41% in the month of May due to Covd-19 measures.

Description	FY20	FY19	Inc/(Dec)	
Production:				%
Clinker	6,841,964	6,380,898	461,066	7.2%
Cement	5,510,426	5,613,650	(103,224)	-1.8%
Cement sales:	5,494,823	5,597,642	(102,819)	-1.8%
Local	5,336,680	5,327,410	9,270	0.2%
Export	158,143	270,232	(112,089)	-41.5%
Clinker Sale:				
Local	8,000	-	8,000	100.0%
Export	1,684,124	707,341	976,783	138.1%

Captive Power Generation (in million KWH)

Year	CFPP	WHR	FO	Gas Generators	Dual Fuel	Solar	Total
FY20	165,332	85,122	27,719	15,015	108,679	1,203	403,070
FY19	167,149	64,298	3,968	17,012	117,310	-	369,737
FY18	176,909	83,619	1,693	40,515	178,859	-	481,595

%age of total captive power units produced

Year	CFPP	WHR	FO	Gas Generators	Dual Fuel	Solar	Total
FY20	41.0%	21.1%	6.9%	3.7%	27.0%	0.3%	100%
FY19	45.2%	17.4%	1.1%	4.6%	31.7%	0.0%	100%
FY18	36.7%	17.4%	0.4%	8.4%	37.1%	0.0%	100%

Kiln Operational Days

Year	DGK 1	DGK 2	KHP	HUB	TOTAL
FY20	251	312	294	319	1,176
FY19	250	323	281	290	1,144
FY18	335	332	326	-	993

FINANCIAL STATEMENTS ANALYSIS

Sales

In Pakistan, DGKC is the third largest cement manufacturer. It is the only Company having its production facilities stretched from North to Center to South. It has wide ranging dealer network.

Sales Value and Volume Analysis

Description	FY20	FY19	Change	
				%
Cement Sales - Local (MT)	5,336,677	5,327,410	9,267	0.2%
Cement Sales - Export (MT)	158,143	270,232	(112,089)	-41.5%
Clinker Sales - Local (MT)	8,000	-	8,000	100.0%
Clinker Sales - Export (MT)	1,684,124	707,341	976,783	138.09%
Cement Gross Local (PKR in '000)	48,590,859	52,689,418	(4,098,559)	-7.8%
Clinker Gross Local (PKR in '000)	58,612	-	58,612	100.0%
Total Gross Local (PKR in '000)	48,649,471	52,689,418	(4,039,947)	-7.7%
Net Local (PKR in '000)	28,824,524	35,329,206	(6,504,682)	-18.4%
Cement Gross Exports (PKR in '000)	1,049,215	1,788,148	(738,933)	-41.3%
Clinker Gross Exports (PKR in '000)	8,331,367	3,481,816	4,849,551	139.3%
Total Gross Export (PKR in '000)	9,380,582	5,269,964	4,110,618	78.0%
Net Exports (PKR in '000)	9,380,582	5,187,317	4,193,265	80.8%

Average Per Ton Price Analysis

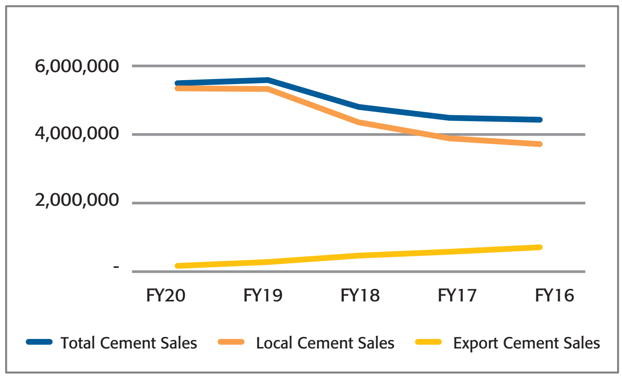
Description	FY20	FY19	Change	
	Rs/Ton	Rs/Ton	Rs/Ton	%
Cement				
Local - Average Gross Price	9,105	9,890	(785)	-7.9%
Local - (excluding FED and Sales tax)	5,395	6,632	(1,237)	-18.7%
Export - Average Gross Price	6,635	6,617	18	0.3%
Clinker				
Local - Average Gross Price	7,327	-	7,327	100.0%
Export - Average Gross Price	4,947	4,922	25	0.5%

Analysis reveal that gross local cement sales registered decline due to decrease in local cement sales price. Local demand contraction, covid-19 lockdown measures, and fierce price war in the industry due to capacity addition are the main driver for low price. Gross export cement sales witnessed negative growth owing to decrease in volume. It is difficult for HUB plant to explore new export market of cement due to slow down in global economy. Further, existing export to india also faced set back. In order to achieve the optimum utilization of Hub plant and to contribute towards fixed costs, Company continued to export clinker earning valuable foreign exchange reserves of USD 59 million for the country

Country wise export quantity analysis is shown below:

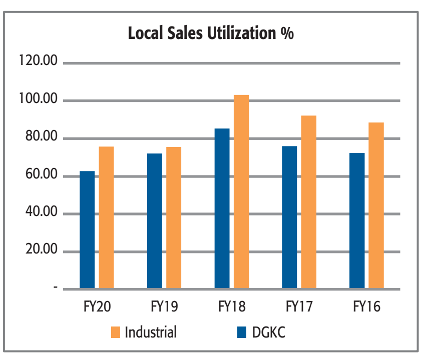
Export Destination	2020	2019	Change	
	MT	MT	MT	%
India	-	208,481	(208,481)	(100.0)
Afghanistan	35,827	27,276	8,551	31.3
Sri Lanka (Cement and clinker)	72,760		72,760	100.0
Madagascar	108,988	31,676	77,312	100.0
Seychelles	868	280	588	100.0
China (Clinker sale)	48,055		48,055	100.0
Bangladesh (Clinker sale)	1,574,369	707,341	867,028	100.0
Others	1,400	2,519	(1,119)	100.0
Total Export Dispatches	**1,842,267**	**977,573**	**864,695**	**88.45**

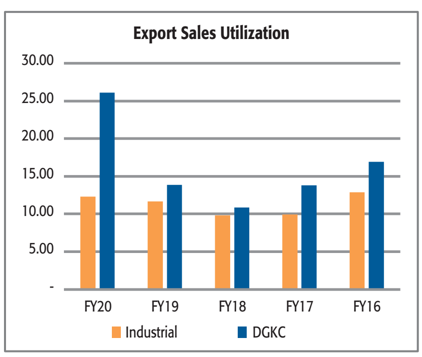
Graph shows that the share of local cement sales quantity in total sales quantity gradually increased over the period with corresponding decline in export cement sales. With the HUB plant of the Company near port, the Company eyes on new exports avenue through sea routes. It will provide better opportunity to handle exports orders with better margin playing field in the future.

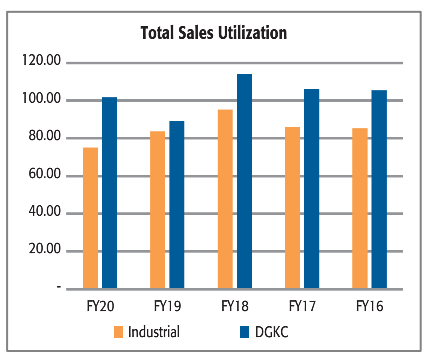


Comparison of DGKC utilization against industry over five years is as follows:

	Local Sales		Exports		Total	
	Industry	DGKC	Industry	DGKC	Industry	DGKC
FY 20	62.81	75.75	12.33	26.11	75.14	101.86
FY 19	72.05	75.50	11.67	13.85	83.73	89.36
FY18	85.38	103.11	9.85	10.85	95.23	113.96
FY17	75.95	92.28	9.93	13.81	85.88	106.09
FY16	72.34	88.62	12.87	16.94	85.22	105.56





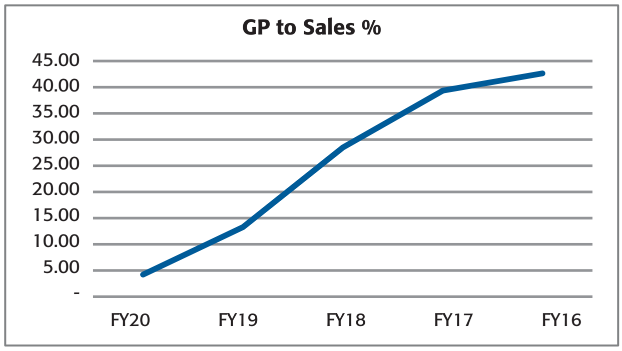


Cost of Sales and Gross Profit

Cost of sales (%age of net sales) for the year increased to 95.83% against 86.76% in 2019 showing the increase of 10.45%, continuing the increasing trend from 2017. This was the highest in the last ten years which had the average of 68.97%

Different sub-heads as percentage of Manufacturing Costs are as follows:

Manufacturing Cost	FY20	FY19	Change %
Raw and packing materials consumed	10.6	10.6	(0.1)
Salaries, wages and other benefits	9.2	8.5	8.2
Fuel and power	56.4	57.6	(2.1)
Stores and spares consumed	8.0	9.0	(11.3)
Depreciation	9.7	9.1	7.1
Others	6.1	5.3	17.0



Overall Cost of sales for cement per ton decreased by 6.84% to Rs 5,329/ton (FY19: Rs 5,720/ton). Salaries and wages and depreciation are fixed cost in nature. Because of low cement production (under-utilization of cement mill) and increase in sale of semi-finished product (clinker), their share in total manufacturing cost registered increase. Fuel and power share (constituting major part of production cost) witnessed decline owing to new WHR power plant installed at Khairpur site, drop in coal and furnace oil prices during world-wide Covid-19 lock down and Russia-gulf price war. These factors also offset the negative effect of rise in electricity prices (rise in tariff and withdrawal of PM relief). Stores and spares consumption share dropped as number of shutdown days for maintenance decreased. Plant remained in operations because of its good working condition and shutdown was rescheduled to next financial year. Other production cost increased due to increase in royalty rates for limestone and clay in Punjab.

GP in absolute terms decreased by Rs 3,776 million whereas GP% fell from 13.2% to 4.2% reaching to last ten year low. Prices remained low since last quarter of 2019 due to fierce competition. Slow down in construction sector and lock down measures further compressed the demand. Consequently, net local sales price dipped by 18.6% YOY which was partially offset by decrease in cost of sales /ton by only 6.84%.

Selling and administrative expenses

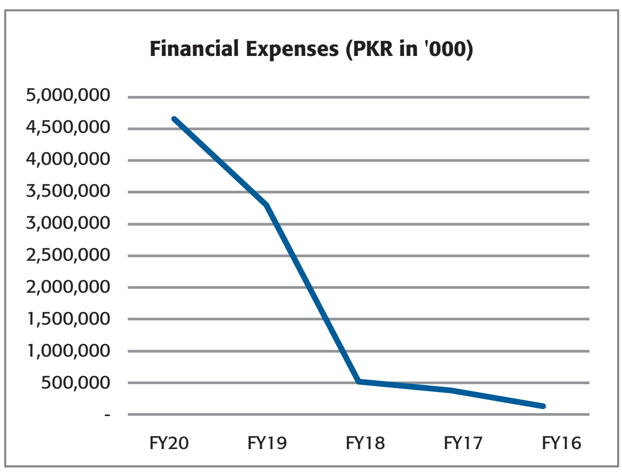
Administrative expenses % to sales increased due to decrease in sales value. In absolute terms, administrative expenses increased by only 4.83% representing inflation effect. Selling expenses % to sales increased relating to increase in clinker export by 138.1%.

% age of sales	2020	2019
Administrative expenses	1.73	1.55
Selling expenses	4.69	3.22

Financial expenses

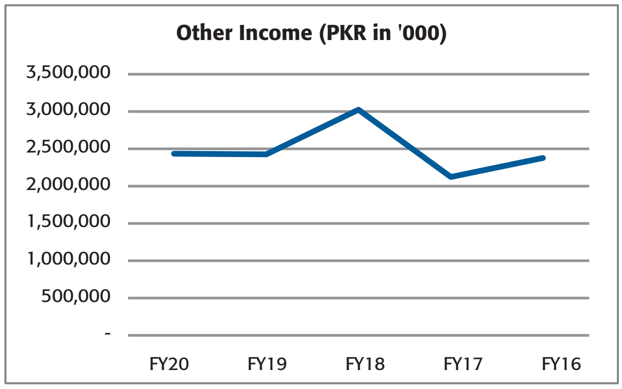
Finance cost is directly linked to the level of borrowing and interest rates prevailing. Borrowing level and average interest rates both picked up during the FY2020.

Financial expenses increased by Rs 1,349 million, an increase of 40.8%. Average KIBOR rate registered increase from 10.0%% to 12.51% in FY20, an increase of 25.1%. Finance cost related to long term borrowing amounted to Rs 2,656 million that constituted about 57.1% of total financial expenses. Markup on short term borrowing amounted to Rs 1,969 million an increase of 56.5%.



Other income

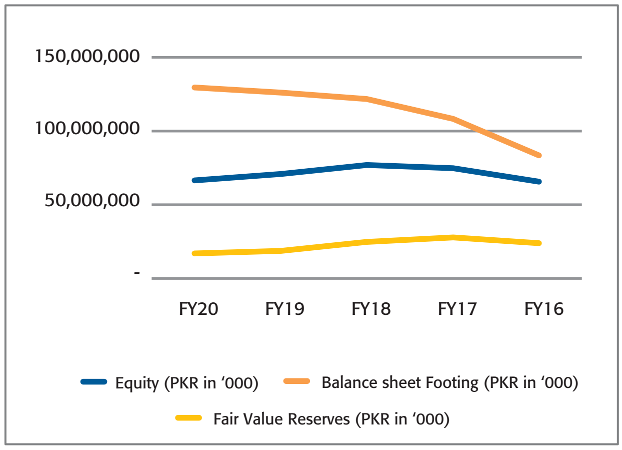
Other income remained almost same in FY20. Dividend income increased by Rs 162 million (8.6%) owing to increase in dividend from MCB. This increase was offset by one-off transaction of reversal of unclaimed balances written back last year.



Taxation

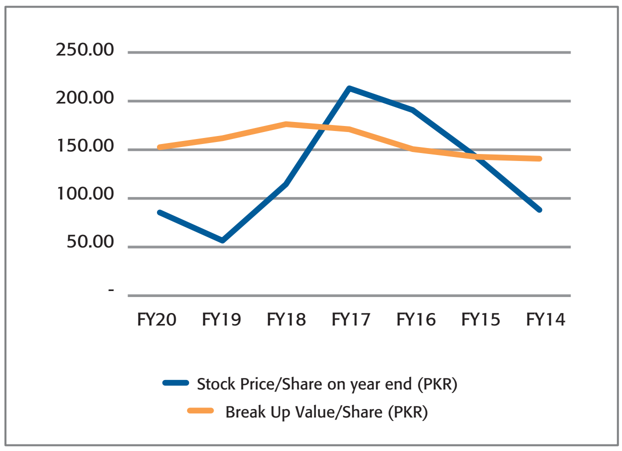
Finance Act 2019 fixed the corporate rate of 29% for foreseeable future. Taxation for the year 2019 resulted in lower average tax rate of 19.1% owing to capitalization of machinery at Hub site that raised tax credit of Rs 170 million, revaluation of deferred tax liability to 29% and prior period effect of Rs 1,088 million. These adjustments resulted in the net taxation expense of Rs 381 million.

As company registered loss before tax for FY 2020, there is taxation income at corporate rate of 29% which is further increased to 42.5% owing to prior period adjustment and lower rate of dividend tax. The Company recorded taxation income of Rs 1,597 million



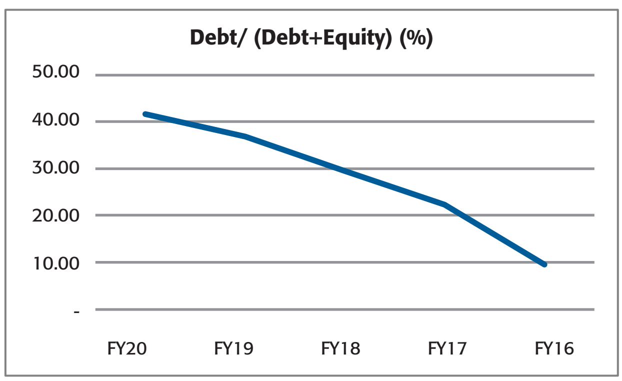
Total Assets & Equity

The Company's equity is eroded to 51.4% (FY19: 56.3%) of total assets. Equity suffered decline by Rs 3,846 million owing to net loss of Rs 2,159 million and decrease in market value of investments by Rs 1,656 million (however market value of investments partially recovered subsequent to year end). This still represents optimum balance sheet structure. Breakup value per share decreased to Rs 152.11 (FY19: Rs 161.89)



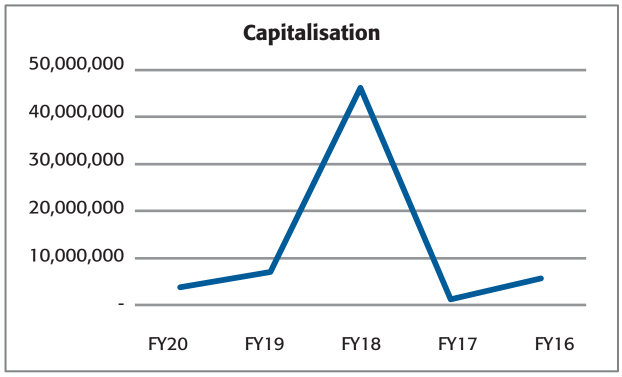
Borrowings

The Company's borrowing, long and short term, reached all time high. The combined borrowing as at close of FY20 was Rs 47,478 million (FY 2019: Rs 41,284 million). Long term loans, including current portion, amounted to Rs 23,983 million that registered increase of Rs 2,957 million (14.0%). The is mainly related to replacement of short-term borrowing. Short term borrowing increased by Rs 3,237 million (16.0%) to Rs 23,496 million. Though in monetary terms the borrowing is very high but the balance sheet of the Company is strong enough to absorb this. In FY19, total debt to equity was at about 41.6% (FY19: 36.8%). These ratios clearly show the strength, safety and ample available further cushion in Company's balance sheet.



Fixed assets

Fixed assets occupy about 64.5% of total assets as at close of FY20, increase from 63.5% from FY19. On average, 56.0% of total assets of the Company are fixed assets as per average trend of last six years. As cement manufacturing process is a capital-intensive venture, the same is reflected in this fact. Besides, this also shows that Company is always looking to keep the manufacturing facilities up to mark, innovative, state of the art, environment friendly and efficient. A continuous trend of capitalization shows that Company keeps on upgrading its fixed assets to reap benefits. In FY20, capitalization of Rs 3,864 million largely pertains to 12 MW WHR power plant at KHP site. The plant is based on air cooling system, first of its kind in Pakistan replacing expensive mode of electricity from dual fuel engine or national grid.



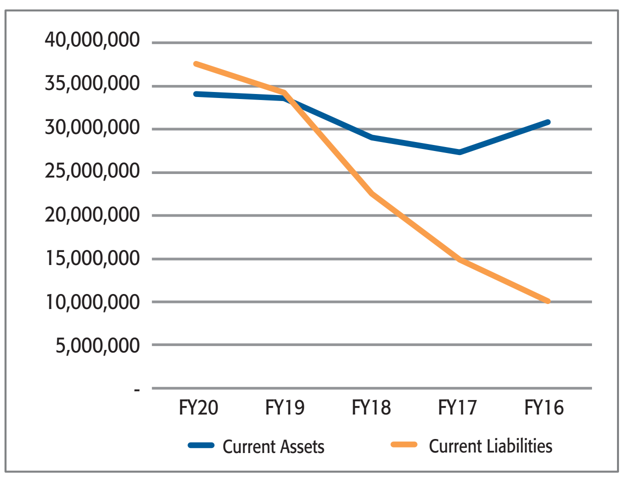
Investments (Non-current and current)

	No of shares	Cost of investment (Rs in '000')	MV of Investment (Rs in '000')	% of Stake in Company	% of total cost of Portfolio	%age of total MV of investment	Dividend (Rs in '000')
Nishat Paper Products Co. Ltd.	25,595,398	250,811	250,811	55.00%	3.3%	1.0%	-
Nishat Dairy (Private) Limited	270,000,000	2,169,111	2,169,111	55.10%	28.5%	8.7%	-
Nishat Hotels and Properties Limited	104,166,667	1,041,667	1,452,837	10.42%	13.7%	5.8%	-
Hyundai Nishat Motor (Private) Ltd	74,750,000	747,500	911,950	10.00%	9.8%	3.7%	-
Nishat Mills Ltd	30,289,501	1,326,559	2,362,884	8.61%	17.4%	9.5%	121,158
MCB Bank Ltd	102,277,232	604,068	16,576,075	8.63%	7.9%	66.4%	1,840,990
Adamjee Insurance Company	27,877,735	1,239,698	923,032	7.97%	16.3%	3.7%	69,694
Nishat (Chunian) Limited	7,274,602	76,396	236,061	3.03%	1.0%	0.9%	18,187
United Bank limited	214,354	33,646	22,156	0.02%	0.4%	0.1%	2,573
Pakistan Petroleum Ltd	821,626	117,405	71,299	0.03%	1.5%	0.3%	1,369
		7,606,861	**24,976,216**		**100.0%**	**100.0%**	**2,053,971**

Working Capital

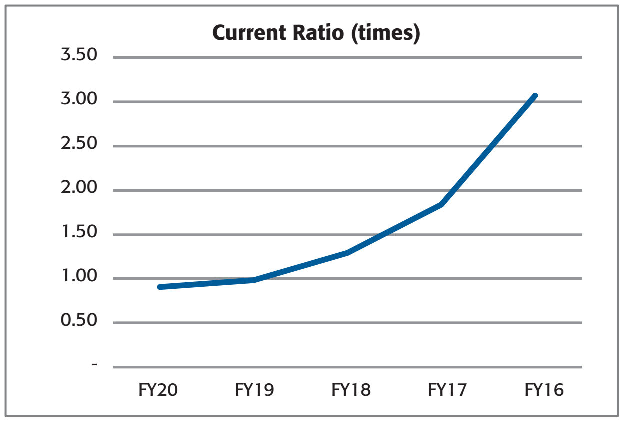
Current assets account for 26.3% of total assets while current liabilities increased to 29.0% as on FY20. On average for last six years, current assets are 30.2% and current liabilities are 18.2% of total assets.

Net Working Capital for the year decreased to negative of Rs 3,529 million (FY19: Rs -624 million) due to rise in current liabilities. Trade debts increased to Rs 2,286 million (FY19: Rs 1,192 million) due to increase in credit terms largely related to new markets in South. Short term investment registered decline of Rs 1,003 million as market share price of MCB shares fell in stock market as at June 30, 2020. Some relief was provided in terms of deferment of long term loan for one year under State Bank Of Pakistan Scheme. Trade and other payables also increased by Rs 3,268 million owing to increase in advances from customers and trade creditors. Current ratio dropped to 0.91 (FY19: 0.98) reaching to 10 year low.



Composition of current assets in % at year end is as follows:

Current Assets	2020	2019
Stores, spare & loose tools	24.16	27.48
Stock-in-trade	12.77	11.05
Trade debts	6.71	3.54
Investments	38.50	42.02
Other receivables	1.80	3.17
Loan to related party	2.24	2.97
Income tax receivable	12.80	8.31
Cash and bank balances	1.02	1.45



Composition of current liabilities in % at year end is as follows

Current liabilities	2020	2019
Trade and other payables	30.03	23.45
Accrued finance cost	1.89	2.36
Short term borrowings - secured	62.45	59.15
Current portion of non-current liabilities	5.45	14.83
Unclaimed dividend	0.09	0.10
Provision for taxation	0.09	0.10

CONSOLIDATED RESULTS

The Company's consolidated results are as follows:

PKR in billions

	2020	2019
Net Sales	41.59	43.63
Gross Profit	1.96	5.67
PBT	(3.80)	2.28
PAT	(2.23)	1.86
EPS (PKR/Share)	(5.05)	20.25

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

Financial highlights of subsidiaries' individual performances are as follows:

	NPPL	NDL
Net Sales (PKR in millions) – FY20	4,273	1,735
Net Sales (PKR in millions) – FY19	4,056	1,473
EPS – FY20	2.81	(0.24)
EPS – FY19	1.27	0.12
Gross Margin % - FY20	16.01	(14.59)
Gross Margin % - FY19	12.05	(11.70)
PAT Margin % - FY20	3.06	(6.89)
PAT Margin % – FY19	1.46	4.15

Subsidiaries Capacities and Actual Performance

NPPL

Bags Production Capacity: 220 million bags per annum
Actual Bags Produced in FY20: 128 million bags (approx.) (FY19: 123 million bags (approx.))

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

NDL

Milk Production Capacity: 36.5 million liters per annum
Actual milk produced in FY20: 25.19 million liters (approx.) (FY19: 24.1 million liters (approx.))

NDL has 2,957 mature milking animals and 2,670 immature animals raised to produce milk as on June 30, 2020.

FORWARD LOOKING STATEMENT

The overall economic outlook, global and domestic, remains uncertain. It requires a well thought out and decisive policy response to ensure stability in the tough phase ahead. It remains of paramount importance for the Government to assess the possible economic scenarios with limited fiscal space and exogenous pressures, while concurrently undertaking measures to promptly respond to the unfolding developments. Inflation could fall further if economic activity fails to pick up as projected for next fiscal year. On the other hand, there are some upside risks from potential food-price shocks associated with adverse agricultural conditions.

On a positive side, realization of financial support committed by multilateral agencies shall assist in fulfilling the potential financing gap along with extending imperative support to foreign exchange reserves. The Government should complement its current efforts with further structural reforms. In effect, greater policy vigilance and more vigor are required for the needed transition to growth. More recently, the government has initiated a phased lifting of restrictions for different economic sectors conditional on the future course of the pandemic. If this easing proceeds smoothly, activity should pick up in coming months. Once the economy regains its balance, it is expected that it will resume its growth momentum which would boost the demand for construction material. The government has introduced an incentive package for the construction industry in April 2020 which is expected to help increase local cement consumption. Package includes amnesty scheme, tax exemptions, Rs 30 billion subsidy for Naya Pakistan and lower interest rates for low cost housing. Further, Construction sector has been given the industry status. Two large dams; Diamar Bhasha and Mehmand Dam kickstarted during the year. Construction of many small dams are also in process. These factors contributed towards positive sentiments. With a strong pipeline of growth projects, supported by high performing management, the Company is well positioned to grow its market share and keep adding value to its stakeholders' wealth.

QUARTERLY ANALYSIS

	FY19	Q1	Q2	Q3	Q4	FY20
						PKR in Thousands
Profit & loss Analysis						
Sales- Net	40,516,525	9,069,445	11,818,812	9,682,526	7,462,341	38,033,124
Cost of Sales	(35,154,086)	(9,607,461)	(10,259,310)	(9,626,082)	(6,954,365)	(36,447,218)
Gross Profit	**5,362,439**	**(538,016)**	**1,559,502**	**56,444**	**507,976**	**1,585,906**
Administrative expenses	(628,517)	(150,574)	(207,255)	(159,776)	(141,269)	(658,874)
Selling and Distribution expenses	(1,305,695)	(485,417)	(524,078)	(436,056)	(337,871	(1,783,422)
Net Impairment loss on financials assets	(22,343)	-	(50,200)	-	(96,247)	(146,447)
Other expenses	(538,207)	(2,010)	(52,868)	(504,551)	29,789	(529,640)
Other Income	2,427,266	553,097	631,849	611,557	633,072	2,429,575
Finance cost	(3,304,102)	(1,256,103)	(1,199,560)	(1,203,536)	(994,087)	(4,653,286)
Profit/(Loss) before tax	**1,990,841**	**(1,879,023)**	**157,390**	**(1,635,918)**	**(398,637**	**(3,756,188)**
Taxation	(381,082)	450,966	423,611	632,819	90,131	1,597,527
Profit/(Loss) after tax	**1,609,759**	**(1,428,057)**	**581,001**	**(1,003,099)**	**(308,506**	**(2,158,661)**
Cash flow Analysis						
Cash flow from operating activities	(1,530,631)	5,256,778	(2,424,842)	(2,772,267)	(402,800)	(343,131)
Cash flow from investing activities	(5,444,043)	(402,363)	(32,339)	(543,372)	(4,104,722)	(5,082,796)
Cash flow from Financing activities	(872,069)	(392,236)	(704,638)	181,400	3,435,051	2,519,577
Balance sheet Analysis						
Balance sheet footing	125,941,425	121,154,560	126,753,714	121,882,266	129,551,534	129,551,534
Equity	70,928,415	68,499,666	73,418,600	64,665,466	66,644,157	66,644,157
Non-current liabilities	20,765,958	19,171,704	18,914,610	20,464,953	25,283,120	25,283,120
Current liabilities	34,247,052	33,483,191	34,420,504	36,751,847	37,624,257	37,624,257
Non-Current assets	92,318,165	91,794,714	93,472,277	90,380,249	95,456,434	95,456,434
Current assets	33,623,260	29,359,846	33,281,437	31,508,017	34,095,100	34,095,100
						Figures in Tons
Volumetric Analysis						
Clinker production	6,380,898	1,394,951	1,959,036	1,732,092	1,755,885	6,841,964
Cement production	5,613,650	1,321,934	1,651,912	1,353,195	1,183,385	5,510,426
Total Cement sales	5,597,642	1,299,040	1,649,258	1,372,391	1,174,134	5,494,823
Local Cement sales	5,327,410	1,255,651	1,597,534	1,354,205	1,129,290	5,336,680
Export cement sales	270,232	43,389	51,724	18,186	44,844	158,143
Clinker sales	707,341	441,158	498,050	492,591	260,325	1,692,124
EPS (PKR)	3.67	(3.26)	1.33	(2.29)	(0.70)	(4.93)

SIX YEARS AT A GLANCE

	FY 20	FY 19	FY 18	FY17	FY16	FY15
						(MT)
Production:						
Clinker	6,841,964	6,380,898	4,413,413	4,314,600	3,964,998	3,507,230
Cement	5,510,426	5,613,650	4,857,761	4,588,900	4,426,631	3,849,672
Cement sales:	5,494,823	5,597,642	4,810,250	4,478,065	4,422,691	3,858,070
Local (excluding own consumption)	5,336,680	5,327,410	4,352,185	3,895,042	3,710,393	3,196,103
Export	158,143	270,232	458,065	583,023	712,298	661,967
Clinker Sale:	1,692,124	707,341	26,576	-	-	-
Local	8,000	-	26,576	-	-	-
Export	1,684,124	707,341	-	-	-	-
Clinker Purchase	-	-	39,997	-	-	-
						(PKR in thousands)
Equity	66,644,157	70,928,415	77,134,421	74,868,879	65,783,429	62,296,071
Balance Sheet Footing	129,551,534	125,941,425	121,889,017	108,371,319	83,418,265	74,391,443
Fair Value Reserves	17,244,158	18,940,452	24,779,125	28,031,837	24,256,385	27,405,272
Equity without FV Reserves	49,399,999	51,987,963	52,355,296	46,837,042	41,527,044	34,890,799
Fixed Assets	83,548,622	79,980,234	76,493,984	62,447,737	39,576,830	29,958,970
Capitalisation	3,863,587	7,022,815	46,233,538	1,264,268	5,730,155	925,479
Long Term Loan	23,982,621	21,025,324	20,040,471	13,020,000	3,538,251	1,348,522
Short Term Loan	23,495,967	20,258,570	12,209,667	8,571,228	3,451,352	1,826,072
Current Assets	34,095,100	33,623,260	29,075,626	27,300,684	30,835,521	31,426,342
Current Liabilities	37,624,257	34,247,052	22,553,193	14,849,803	10,056,634	6,583,476
Gross Sales	58,033,714	57,952,383	43,407,770	40,384,740	37,045,715	32,468,621
Net Sales	38,033,124	40,516,525	30,668,428	30,136,165	29,703,758	26,104,611
Cost of Sales	36,447,218	35,154,086	21,928,207	18,291,600	17,035,566	16,649,411
GP	1,585,906	5,362,439	8,740,221	11,844,565	12,668,192	9,455,200
Administrative Expenses	658,874	628,517	624,725	551,221	572,780	472,326
Selling Expenses	1,783,422	1,305,695	898,156	979,045	949,628	746,723
Other Expenses	529,640	538,207	2,354,656	891,513	913,642	727,805
Financial Expenses	4,653,286	3,304,102	519,267	382,895	130,451	281,504
Other Income	2,429,575	2,427,266	3,026,661	2,118,216	2,379,053	2,320,335
PBT	(3,756,188)	1,990,841	7,370,078	11,158,107	12,480,744	9,547,177
Taxation	(1,597,527)	381,082	(1,467,530)	3,182,766	3,691,072	1,922,497
PAT	(2,158,661)	1,609,759	8,837,608	7,975,341	8,789,672	7,624,680
PBT without Dividend	(5,810,159)	99,303	5,435,293	9,214,053	10,610,827	7,843,711
PAT without Dividend	(4,212,632)	(281,779)	6,902,823	6,031,287	6,919,755	5,921,214

	FY 20	FY 19	FY 18	FY17	FY16	FY15
Profitability Indicators						
EBITDA (PKR in thousands)	4,588,198	8,795,010	10,193,594	13,602,813	14,483,061	11,709,284
EBITDA-Other Income (PKR in thousands)	2,158,623	6,367,744	7,166,933	11,484,597	12,104,008	9,388,949
EBIT (PKR in thousands)	897,098	5,294,943	7,889,345	11,541,002	12,611,195	9,828,681
Depreciation (PKR in thousands)	3,691,100	3,500,067	2,304,249	2,061,811	1,871,866	1,880,603
GP to Sales (%)	4.17	13.24	28.50	39.30	42.65	36.22
PBT to Sales (%)	(9.88)	4.91	24.03	37.03	42.02	36.57
PAT to Sales (%)	(5.68)	3.97	28.82	26.46	29.59	29.21
EBITDA to Sales (%)	12.06	21.71	33.24	45.14	48.76	44.86
ROE (wrt average equity) (%)	(3.14)	2.17	11.63	11.34	13.73	12.32
ROA (wrt to average total assets) (%)	(1.69)	1.30	7.68	8.32	11.14	10.33
ROE (withour fair value reserves) (%)	(4.26)	3.09	17.82	18.05	23.00	23.95
ROE - Dou Pont (%)	(3.24)	2.27	11.46	10.65	13.36	12.24
ROE (PBT/Equity) (%)	(5.64)	2.81	9.55	14.90	18.97	15.33
Liquidity Indicators						
Operating Cashflows (PKR in thousands)	(343,131)	(1,530,631)	8,910,698	5,877,328	11,119,972	9,954,056
Working Capital (PKR in thousands)	(3,529,157)	(623,792)	6,522,433	12,450,881	20,778,887	24,842,866
Current Ratio (times)	0.91	0.98	1.29	1.84	3.07	4.77
Activity Indicators						
Fixed Assets Turnover	46.52	51.79	44.15	59.08	85.43	87.32
Investment/Market Indicators						
Ordinary Shares (No.)	438,119,118	438,119,118	438,119,118	438,119,118	438,119,118	438,119,118
Dividend/Share (PKR)	-	1.00	4.25	7.50	6.00	5.00
Stock Price/Share on year end (PKR)	85.33	56.54	114.5	213.16	190.49	142.77
EPS	(4.93)	3.67	20.17	18.20	20.06	17.40
PE Ratio	(17.32)	15.39	5.68	11.71	9.49	8.21
Divident Payout Ratio (%)	-	27.22	21.07	41.20	29.91	28.74
Dividend Yield Ratio (wrt year end price) (%)	-	1.77	3.71	3.52	3.15	3.50
Break Up Value/Share (PKR)	152.11	161.89	176.06	170.89	150.15	142.19
Capital Structure Indicators						
Debt/ (Debt+Equity) (%)	41.60	36.79	29.48	22.38	9.60	4.85
Debt to Equity (%)	71.24	58.21	41.81	28.84	10.63	5.10
Equity to Total Assets (%)	51.44	56.32	63.28	69.09	78.86	83.74
Interest Coverage (wrt EBITDA) (times)	0.99	2.66	19.63	35.53	111.02	41.60
DSCR with other income	0.47	1.57	10.00	8.94	18.94	10.92
DSCR without other income	0.22	1.13	7.03	7.55	15.83	8.76
Operational (Volumetric) Indicators						
Clinker Production (% change wrt last year)	7.23	44.58	2.29	8.82	13.05	(2.17)
Cement Production (% change wrt last year)	(1.84)	15.56	5.86	3.67	14.99	(3.48)
Total Sales (% change wrt last year)	(1.84)	16.37	7.42	1.25	14.63	(2.97)
Local Sales (% change wrt last year)	0.17	22.41	11.74	4.98	16.09	8.16
Exports Sales (% change wrt last year)	(41.48)	(41.01)	(21.43)	(18.15)	7.60	(35.19)
Clinker Production Utilisation (%)	101.81	94.95	109.79	107.33	98.63	87.24
Total Sales Utilisation (%)	101.86	89.36	114.59	106.09	104.78	91.40
Local Sales Utilisation (%)	75.75	75.50	103.74	92.28	87.90	75.72
Exports Sales Utilisation (%)	26.11	13.85	10.85	13.81	16.88	15.68
Sales Mix: Local to Total Sales wrt Qty (%)	74.37	84.50	90.53	86.98	83.89	82.84
Sales Mix: Exports to Total Sales wrt Qty (%)	25.63	15.50	9.47	13.02	16.11	17.16

VALUE ADDED STATEMENT - ACCRUAL BASIS

	FY20 (Rupees in thousand)			FY19 (Rupees in thousand)		
Wealth Created						
Revenues:						
- Local sales	48,648,453			52,689,419		
- Exports	9,385,261	58,033,714	96%	5,262,964	57,952,383	96%
Income from other sources						
- Investment income	2,053,971			1,891,538		
- Other income	375,604	2,429,575	4%	535,728	2,427,266	4%
		60,463,289	100%		60,379,649	100%
Wealth Distributed						
Suppliers:						
- Against raw and packing materials	3,916,533			4,004,662		
- Against services	1,625,694			1,102,600		
- Against stores spares	3,359,915			3,838,545		
- Against fuels and other energy sources	20,913,586	29,815,728	49%	21,699,759	30,645,566	51%
Employees		3,959,747	7%		3,707,608	6%
Government:						
- Direct taxes	(1,597,527)			381,082		
- Indirect taxes	19,253,612	17,656,286	29%	16,985,427	17,366,509	29%
Providers of Capital:						
- Banks		4,653,286	8%		3,304,102	5%
Reinvested in business						
- Depreciation	3,691,100			3,500,067		
- Profit/ (loss) for the period	(2,158,661)	1,532,439	3%	1,609,759	5,109,826	8%
Other operating costs - Net		2,846,004	5%		246,038	0%
		60,463,289	100%		60,379,649	100%

PER SHARE INCOME STATEMENT

	FY20	FY19	Change	%
Sales	86.81	92.48	(5.67)	(6.1)
Cost of sales	(83.19)	(80.24)	(2.95)	3.7
Gross Profit	**3.62**	**12.24**	**(8.62)**	**(70.4)**
Administrative expenses	(1.50)	(1.43)	(0.07)	4.8
Selling and distribution expenses	(4.07)	(2.98)	(1.09)	36.6
Net impairment loss on financial assets	(0.33)	(0.05)	(0.28)	555.4
Other expenses	(1.21)	(1.23)	0.02	(1.6)
Other income	5.55	5.54	0.01	0.1
Finance cost	(10.62)	(7.54)	(3.08)	40.8
Profit/(loss) before tax	**(8.57)**	**4.54**	**(13.12)**	**(288.7)**
Taxation	3.65	(0.87)	4.52	(519.2)
Profit/(loss) after tax	**(4.93)**	**3.67**	**(8.60)**	**(234.1)**

SIX YEARS FINANCIAL STATEMENTS

	FY20	FY19	FY18	FY17	FY16	FY15
			(Rupees in thousand)			(Re-stated)
CAPITAL AND RESERVES						
Issued, subscribed and paid up share capital	4,381,191	4,381,191	4,381,191	4,381,191	4,381,191	4,381,191
Reserves	27,226,658	28,922,952	34,761,625	38,014,337	34,238,885	37,387,772
Revenue Reserve: Un-appropriated profit	35,036,308	37,624,272	37,991,605	32,473,351	27,163,353	20,527,108
	66,644,157	70,928,415	77,134,421	74,868,879	65,783,429	62,296,071
NON-CURRENT LIABILITIES						
Long term finances - secured	21,972,000	15,985,030	17,730,324	12,520,000	2,400,000	714,261
Long term deposits	253,937	242,043	109,726	79,441	77,813	72,003
Deferred liabilities	521,834	449,194	278,379	186,837	111,334	137,585
Deferred taxation	2,535,349	4,089,691	4,082,974	5,866,359	4,989,055	4,588,047
	25,283,120	20,765,958	22,201,403	18,652,637	7,578,202	5,511,896
CURRENT LIABILITIES						
Trade and other payables (including unclaimed dividend)	11,332,024	8,063,312	7,623,646	5,454,447	5,366,340	4,048,079
Accrued markup	712,275	809,569	347,880	217,204	52,931	27,304
Short term borrowings - secured	23,495,967	20,258,570	12,209,667	8,571,228	3,451,352	1,826,072
Current portion of non-current liabilities	2,048,901	5,080,511	2,336,910	523,778	1,150,921	646,931
Derivative financial instrument	-	-	-	48,056	-	-
Provision for taxation	35,090	35,090	35,090	35,090	35,090	35,090
	37,624,257	34,247,052	22,553,193	14,849,803	10,056,634	6,583,476
	129,551,534	**125,941,425**	**121,889,017**	**108,371,319**	**83,418,265**	**74,391,443**
NON-CURRENT ASSETS						
Property, plant and equipment	83,548,622	79,980,234	76,493,984	62,447,737	39,576,830	29,958,970
Intangible assets	-	-	-	-	-	18,452
Investments	11,849,828	12,276,961	16,259,564	18,564,054	12,947,976	12,918,182
Long term loans and deposits	57,984	60,970	59,843	58,844	57,938	69,497
	95,456,434	92,318,165	92,813,391	81,070,635	52,582,744	42,965,101
CURRENT ASSETS						
Stores, spare parts and loose tools	8,237,990	9,240,264	5,114,227	4,939,420	4,006,181	3,635,858
Stock-in-trade	4,352,995	3,714,058	1,377,596	1,162,914	766,633	1,188,376
Trade debts	2,286,084	1,191,881	188,293	220,182	201,574	156,899
Investments	13,126,388	14,129,075	16,018,594	17,044,084	17,819,005	24,855,796
Loans, advances, deposits, prepayments	613,166	1,064,369	2,637,675	1,987,849	584,447	648,010
Loan to related party	765,000	1,000,000	1,000,000	1,000,000	-	-
Income tax receivable	4,365,643	2,794,695	2,270,137	524,355	433,136	673,807
Derviative financial instruments	-	-	-	-	14,701	9,873
Cash and bank balances	347,834	488,918	469,104	421,880	7,009,844	257,723
	34,095,100	33,623,260	29,075,626	27,300,684	30,835,521	31,426,342
	129,551,534	**125,941,425**	**121,889,017**	**108,371,319**	**83,418,265**	**74,391,443**
PROFIT AND LOSS ACCOUNTS						
Sales	38,033,124	40,516,525	30,668,428	30,136,165	29,703,758	26,104,611
Cost of sales	(36,447,218)	(35,154,086)	(21,928,207)	(18,291,600)	(17,035,566)	(16,649,411)
Gross Profit	**1,585,906**	**5,362,439**	**8,740,221**	**11,844,565**	**12,668,192**	**9,455,200**
Administrative expenses	(658,874)	(628,517)	(624,725)	(551,221)	(572,780)	(472,326)
Selling and distribution expenses	(1,783,422)	(1,305,695)	(898,156)	(979,045)	(949,628)	(746,723)
Net impairment loss on financial assets	(146,447)	(22,343)	-	-	-	-
Other expenses	(529,640)	(538,207)	(2,354,656)	(891,513)	(913,642)	(727,805)
Other income	2,429,575	2,427,266	3,026,661	2,118,216	2,379,053	2,320,335
Finance cost	(4,653,286)	(3,304,102)	(519,267)	(382,895)	(130,451)	(281,504)
Profit/(loss) before tax	**(3,756,188)**	**1,990,841**	**7,370,078**	**11,158,107**	**12,480,744**	**9,547,177**
Taxation	1,597,527	(381,082)	1,467,530	(3,182,766)	(3,691,072)	(1,922,497)
Profit/(loss) after tax	**(2,158,661)**	**1,609,759**	**8,837,608**	**7,975,341**	**8,789,672**	**7,624,680**

VERTICAL ANALYSIS (%)

	FY20	FY19	FY18	FY17	FY16	FY15
						(Re-stated)
CAPITAL AND RESERVES						
Issued, subscribed and paid up share capital	3.4	3.5	3.6	4.0	5.3	5.9
Reserves	21.0	23.0	28.5	35.1	41.0	50.3
Revenue Reserve: Un-appropriated profit	27.0	29.9	31.2	30.0	32.6	27.6
	51.4	56.3	63.3	69.1	78.9	83.7
NON-CURRENT LIABILITIES						
Long term finances - secured	17.0	12.7	14.5	11.6	2.9	1.0
Long term deposits	0.2	0.2	0.1	0.1	0.1	0.1
Deferred liabilities	0.4	0.4	0.2	0.2	0.1	0.2
Deferred taxation	2.0	3.2	3.3	5.4	6.0	6.2
	19.6	16.5	18.2	17.2	9.1	7.4
CURRENT LIABILITIES						
Trade and other payables	8.7	6.4	6.3	5.0	6.4	5.4
Accrued markup	0.5	0.6	0.3	0.2	0.1	0.0
Short term borrowings - secured	18.1	16.1	10.0	7.9	4.1	2.5
Current portion of non-current liabilities	1.6	4.0	1.9	0.5	1.4	0.9
Derivative financial instrument	0.0	0.0	0.0	0.0	0.0	0.0
Provision for taxation	0.0	0.0	0.0	0.0	0.0	0.0
	29.0	27.2	18.5	13.7	12.1	8.8
	100.0	100.0	100.0	100.0	100.0	100.0
NON-CURRENT ASSETS						
Property, plant and equipment	64.5	63.5	62.8	57.6	47.4	40.3
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Investments	9.1	9.7	13.3	17.1	15.5	17.4
Long term loans and deposits	0.0	0.0	0.0	0.1	0.1	0.1
	73.7	73.3	76.1	74.8	63.0	57.8
CURRENT ASSETS						
Stores, spare parts and loose tools	6.4	7.3	4.2	4.6	4.8	4.9
Stock-in-trade	3.4	2.9	1.1	1.1	0.9	1.6
Trade debts	1.8	0.9	0.2	0.2	0.2	0.2
Investments	10.1	11.2	13.1	15.7	21.4	33.4
Loans, advances, deposits, prepayments	0.5	0.8	2.2	1.8	0.7	0.9
Loan to related party	0.6	0.8	0.8	0.9	0.0	0.0
Income tax receivable	3.4	2.2	1.9	0.5	0.5	0.9
Derviative financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Cash and bank balances	0.3	0.4	0.4	0.4	8.4	0.3
	26.3	26.7	23.9	25.2	37.0	42.2
	100.0	100.0	100.0	100.0	100.0	100.0
PROFIT AND LOSS ACCOUNTS						
Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(95.8)	(86.8)	(71.5)	(60.7)	(57.4)	(63.8)
Gross Profit	**4.2**	**13.2**	**28.5**	**39.3**	**42.6**	**36.2**
Administrative expenses	(1.7)	(1.6)	(2.0)	(1.8)	(1.9)	(1.8)
Selling and distribution expenses	(4.7)	(3.2)	(2.9)	(3.2)	(3.2)	(2.9)
Net impairment loss on financial assets	(0.4)	(0.1)	-	-	-	-
Other expenses	(1.4)	(1.3)	(7.7)	(3.0)	(3.1)	(2.8)
Other income	6.4	6.0	9.9	7.0	8.0	8.9
Finance cost	(12.2)	(8.2)	(1.7)	(1.3)	(0.4)	(1.1)
Profit/(loss) before tax	**(9.9)**	**4.9**	**24.0**	**37.0**	**42.0**	**36.6**
Taxation	4.2	(0.9)	4.8	(10.6)	(12.4)	(7.4)
Profit/(loss) after tax	**(5.7)**	**4.0**	**28.8**	**26.5**	**29.6**	**29.2**

HORIZONTAL ANALYSIS (%)

	FY20	FY19	FY18	FY17	FY16	FY15
						(Re-stated)
CAPITAL AND RESERVES						
Issued, subscribed and paid up share capital	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	(5.9)	(16.8)	(8.6)	11.0	(8.4)	(12.5)
Revenue Reserve: Un-appropriated profit	(6.9)	(1.0)	17.0	19.5	32.3	42.3
	(6.0)	(8.0)	3.0	13.8	5.6	1.3
NON-CURRENT LIABILITIES						
Long term finances - secured	37.5	(9.8)	41.6	421.7	236.0	(45.9)
Long term deposits	4.9	120.6	38.1	2.1	8.1	4.4
Deferred liabilities	16.2	61.4	49.0	67.8	(19.1)	(31.3)
Deferred taxation	(38.0)	0.1	(30.4)	17.6	8.7	8.3
	21.8	(6.5)	19.0	146.1	37.5	(5.4)
CURRENT LIABILITIES						
Trade and other payables	40.5	5.8	39.8	1.6	32.6	63.5
Accrued markup	(12.0)	132.7	60.2	310.4	93.9	(54.0)
Short term borrowings - secured	16.0	65.9	42.4	148.3	89.0	(28.4)
Current portion of non-current liabilities	(59.7)	117.4	346.2	(54.5)	77.9	(19.5)
Derivative financial instrument	0.0	0.0	(100.0)	100.0	0.0	(100.0)
Provision for taxation	0.0	0.0	0.0	0.0	0.0	0.0
	9.9	51.9	51.9	47.7	52.8	10.8
	2.9	3.3	12.5	29.9	12.1	1.5
NON-CURRENT ASSETS						
Property, plant and equipment	4.5	4.6	22.5	57.8	32.1	0.4
Intangible assets	0.0	0.0	0.0	0.0	(100.0)	(50.0)
Investments	(3.5)	(24.5)	(12.4)	43.4	0.2	14.7
Long term loans and deposits	(4.9)	1.9	1.7	1.6	(16.6)	(18.8)
	3.4	(0.5)	14.5	54.2	22.4	4.3
CURRENT ASSETS						
Stores, spare parts and loose tools	(10.8)	80.7	3.5	23.3	10.2	(1.4)
Stock-in-trade	17.2	169.6	18.5	51.7	(35.5)	(11.9)
Trade debts	91.8	533.0	(14.5)	9.2	28.5	(7.0)
Investments	(7.1)	(11.8)	(6.0)	(4.3)	(28.3)	1.8
Loans, advances, deposits, prepayments	(42.4)	(59.6)	32.7	240.1	(9.8)	(15.2)
Loan to related party	(23.5)	0.0	0.0	100.0	0.0	0.0
Income tax receivable	56.2	23.1	332.9	21.1	(35.7)	75.5
Derviative financial instruments	0.0	0.0	0.0	(100.0)	48.9	100.0
Cash and bank balances	(28.9)	4.2	11.2	(94.0)	2,619.9	(80.3)
	1.4	15.6	6.5	(11.5)	(1.9)	(2.0)
	2.9	3.3	12.5	29.9	12.1	1.5
PROFIT AND LOSS ACCOUNTS						
Sales	(6.1)	32.1	1.8	1.5	13.8	(1.6)
Cost of sales	3.7	60.3	19.9	7.4	2.3	(3.7)
Gross Profit	(70.4)	(38.6)	(26.2)	(6.5)	34.0	2.1
Administrative expenses	4.8	0.6	13.3	(3.8)	21.3	(1.7)
Selling and distribution expenses	36.6	45.4	(8.3)	3.1	27.2	(48.3)
Net impairment loss on financial assets	555.4	100.0	-	-	-	-
Other expenses	(1.6)	(77.1)	164.1	(2.4)	25.5	40.3
Other income	0.1	(19.8)	42.9	(11.0)	2.5	40.9
Finance cost	40.8	536.3	35.6	193.5	(53.7)	(53.8)
Profit before tax	**(288.7)**	**(73.0)**	**(33.9)**	**(10.6)**	**30.7**	**21.6**
Taxation	(519.2)	(126.0)	(146.1)	(13.8)	92.0	1.9
Profit after tax	**(234.1)**	**(81.8)**	**10.8**	**(9.3)**	**15.3**	**27.8**

DIRECTORS' REPORT

The directors of D.G Khan Cement Company Limited are pleased to present you their report.

The Company's principal activity is manufacture and sale of cement. The performance numbers of your Company for the year ended on June 30, 2020 are:

	FY20	FY19	Variance	
	Rupees in '000'			%
Sales	38,033,124	40,516,525	(2,483,401)	(6.1%)
Cost of sales	(36,447,218)	(35,154,086)	(1,293,132)	3.7%
Gross profit	**1,585,906**	**5,362,439**	**(3,776,533)**	**(70.4%)**
Administrative expenses	(658,874)	(628,517)	(30,357)	4.8%
Selling and distribution expenses	(1,783,422)	(1,305,695)	(477,727)	36.6%
Net Impairment loss on financial assets	(146,447)	(22,343)	(124,104)	555.4%
Other operating expenses	(529,640)	(538,207)	8,567	(1.6%)
Other income	2,429,575	2,427,266	2,309	0.1%
Finance cost	(4,653,286)	(3,304,102)	(1,349,184)	40.8%
(Loss)/profit before taxation	**(3,756,188)**	**1,990,841**	**(5,747,029)**	**(288.7%)**
Taxation	1,597,527	(381,082)	1,978,609	(519.2%)
(Loss)/profit for the year	**(2,158,661)**	**1,609,759**	**(3,768,420)**	**(234.1%)**

GP%	4.2%	13.2%
PBT %	(9.9%)	4.9%
PAT%	(5.7%)	4.0%
EPS	(4.93)	3.67

Production and Sales volumetric data is as under:

	FY20	FY19	Variance	
	In MT			%
Production:				
Clinker	6,841,964	6,380,898	461,066	7.2%
Cement	5,510,426	5,613,650	(103,224)	(1.8%)
Sales:				
Total cement	5,494,823	5,597,642	(102,819)	(1.8%)
Local cement (excluding own consumption)	5,336,680	5,327,410	9,270	0.2%
Export cement	158,143	270,232	(112,089)	(41.5%)
Clinker Sale	1,692,124	707,341	984,783	139.2%

Overview

FY20 was a very happening year for country in particular and world in general. The year started with the ongoing stabilization program, tight fiscal and monetary measures, high inflation number, excessive taxation, and drive for documentation of economy. These factors contributed towards slowing down of construction sector as investors pulled back due to uncertainty. As the industry moved into the third quarter and country was slowly recovering from its tight fiscal consolidation measures after IMF periodic review, world was hit hard by pandemic flu of novel Covid-19, forcing almost all the countries (including Pakistan) to push for draconian measures to stop its spread. This led to overall slow down of economy and even closure of any kind of activity relating to assembly of people. Pakistan enforced lockdown at the end of third quarter, forcing almost all the industries to close down their operations. This combined with locust attack on agriculture sector added fuel to fire. Outflow of hot money from T-bills and PIBs due to uncertainty put pressure on PKR, resulted in massive devaluation at the end of the third quarter. However, Federal Government, in last week of March, took proactive measures to introduce about PKR 1.2 trillion economic package to ensure social protection, agriculture support, subsidies and tax refund for export industry. The State Bank of Pakistan also cut the policy rate to 7 percent by the end of June. Coupled with this national disaster, already ongoing price war in the industry and export of less valuable commodity (Clinker) worsened the situation resulting in the poor profitability ratios in industry.

Cement Industry Analysis:

In volume terms, total sales quantity of industry witnessed growth of 1.98%. North zone contributed growth of 4.03% which was offset by negative growth of 4.00% in South Zone. Further analysis shows that the growth was mainly driven by exports 19.98% (mainly clinker) while local dispatches showed modest decline of 0.94% despite capacity additions as compared to corresponding period last year. This was mainly due to negative impact of COVID-19 in the last quarter. Sales utilization dropped to 75% against 84% last year. It was contributed by exports 12% (FY19: 12%) against the local sales utilization of 63% (FY19: 72%). Pre and post Covid-19 economic environment did not create enough demand for the industry to generate proportionate sales to capacity additions, resulting in decline in sales utilization %.

Business Performance Review:

In line with the industry, FY20 of your Company was not encouraging. The company able to reverse the loss in the 2nd quarter of the FY20 but could not maintain pace in 3rd and 4rth quarter due to cycling trend of cement industry, lock down at the end of March (quantity dropped by 41% in the month of May), continuous cost pressure and tough price war due to fierce competition. For the FY20, overall cement sales quantity registered modest decline, mainly due to business closure in the last quarter. Exports of cement declined mainly from halt of exports to India after imposition of 200% duty. Sales utilization of your Company improved to 102% (FY19: 89%). Clinker exports was another avenue introduced last year. Your Company continued with strategy of exporting clinker to contribute towards fixed costs and to reduce the piling clinker stocks, also earning valuable foreign reserves of USD 59 million for the country.

Sales, in value terms, registered decline primarily due to decrease in cement price. Costs escalation mainly from general inflation, rise in energy prices (including withdrawal of PM Relief) and continuous currency devaluation since September 2018 could not be absorbed in the falling cement prices amid high competition in the industry. There was some relief due to fall in coal and furnace oil prices in last quarter. WHR plant also became operational during the year, saving valuable energy cost. However, overall cost remained neck-to-neck with demand driven sales price. This resulted in fall in GP (in absolute terms and as %age of sales). Selling expenses increase were associated with the rise in clinker exports. Low GDP forecast for next financial years of Pakistan and our export market and long-standing Indian customers resulted in the high provision of our trade receivables in the form of 'Expected Credit loss'. The Company also had to absorb the exchange loss on account of massive currency devaluation since March 2020. Finance cost registered increase mainly driven by hike in average discount rates as compared to corresponding period last year and more borrowings to finance the inflationary pressure on working capital. However, this was slightly offset by the SBP measure of lowering of discount rate in the last quarter. Your Company availed the refinance scheme of SBP to finance salaries and wages. Its financial effect shall be visible in the next financial year. Honorable Supreme Court of Pakistan, in August, ruled in favor of the Government regarding collection of outstanding amount of GIDC payable without Late Payment Surcharge in 24 equal monthly installments. Cement prices are driven by market forces of demand and supply. Your Company could not be able to pass on the effect of GIDC to its customer.

Financial Performance – Consolidated

Summarized consolidated results of your Company are as follows:

PKR in in thousands

Description	FY20	FY19	Change %
Net Sales	41,592,686	43,627,007	(4.7%)
Gross Profit	1,965,776	5,674,200	(65.4%)
PBT	(3,805,001)	2,280,053	(266.9%)
PAT	(2,229,185)	1,864,883	(219.5%)
EPS (PKR/Share)	(5.05)	4.16	(221.4%)

Decrease in PAT was mainly attributable to decrease in profitability in cement segment. Individual dairy segment faced loss of Rs 119 million against the profit of Rs 61 million due to increase in feed cost. This was offset by profitability of Rs 130 million in the individual paper segment due to increase in paper prices.

Future Outlook

Covid-19 effect in Pakistan seem to decline since August and Government of Pakistan has also opened up most of the businesses, heading back to normalcy with precautionary measures. This is positive news but with some cautions for the second wave. Economic indicators in July and August showed positive signs for the country. Package for construction sector (primarily focusing on housing sector; subsidy for Naya Pakistan Housing Scheme, tax relaxation measures etc) announced recently may generate massive demand in a year or two. Relief in the form of lowering of FED by Rs 25/bag in Finance Act 2020 is an encouraging development. PM along with Sindh Government announced Karachi Transformation Plan for Rs 1.1 trillion. Ravi River Front

Urban Development Front Project (RRUDP) is also on the table. However, uncertainty prevails regarding its execution. Govt also seemed to be serious about Diamar-Bhasha, Mehmand-Dam and Kohala River Dam projects. CPEC also picked up speed in the last quarter of the year. These factors would contribute massive demand for cement industry in the long run.

In the short run, cement volumetric sales will continue to remain under pressure. Revival of export industry after initial Covid-19 hit and YOY growth in remittances will keep the exchange rate stable. There is uncertainty regarding availability of vaccine or second wave of Covid-19. Floods have also hit the economic hub of Karachi in the month of August and September. Agriculture sector also face the persistent threat of locust attack. Consequently, Government may not be able to meet revenue targets. PSDP funds could be slashed down to meet the fiscal targets set by IMF. It is not clear at the moment about the relaxation provided by IMF in this regard. Government plan to focus on agriculture, social protection and construction sector may keep the wealth in circulation. Understanding with different IPPs and Government will to focus on power distribution sector could reduce energy cost in the long run. However, uncertainty prevails regarding the final outcome. Coal prices shall remain low and may ease pressure on cost. Oil prices hit rock bottom during the year and is expected to remain on lower side in near future during the time of pandemic. Discount rates shall remain stable and remain on lower side. This may provide some breathing space for the industry. This coupled with deferral of principal repayment for a year may help in meeting current liabilities. However, State Bank restriction on banks regarding appropriation of dividend could affect our stream of dividend income and may negatively affect our earnings.

Projects – New and Ongoing

Your Company has entered into an agreement with Sinoma Energy Conservation Ltd, China for supply of machinery and equipment for WHR power generation of 10MW and Coal Fired Power plant (CFPP) of 30MW at Hub Cement plant. Machinery and equipment of both the power plants are based on air cooling system that would reduce the water consumption drastically, contributing towards Company policy of maintaining clean environment. CFPP is the first of its types in Pakistan energy conversant with "Reheat System" consisting of two turbines. It is expected that coal consumption per KWh is about 1% less than what we used for our existing coal fired power plant. The Captive power generation will give substantial yearly savings in power cost and ensure uninterrupted plant operation.

World-wide restrictions on movement and trade due to Covid-19 delayed the shipments for machinery for two months. However, management intends to make up for the delay. WHR is expected to be operational in third quarter of FY21 where as CFPP is expected to be completed in first quarter of FY22.

Appropriation

The Board keeping in view the profitability and capacity expansion requirements, decided to recommend no dividend for FY20.

Principal Risks

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

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

Directors' Remuneration

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

- The Company shall not pay remuneration 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.

Remuneration of directors & other executives are detailed in financial statements.

Directors:

Following are the directors of the Company:

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

Female Directors:	01
Male Directors:	06

Audit Committee:

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

Human Resource & Remuneration Committee:

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

Principal activity of the Company

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

Business Impact on Environment:

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

Post Balance Sheet Events:

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

Corporate Social Responsibility:

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

Education

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

Medical & Fire Fighting

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

Water Supply and food distribution

- Company has also made arrangements for water supply to local areas/villages close to our production facilities.
- Emergency and Disaster Help
- Company used to supply equipment and services on need basis in case of any mishap/accident in adjoining areas.
- Company used to contribute towards natural disasters victims rehabilitation.
- Food distribution to Covid-19 affectees near plant sites

Awareness & HSE

- Company conducts various awareness sessions on diseases and prevention there-from.
- Company conducts sessions on security, health and safety and conduct mock exercises of emergency situations.
- General
- Company supports deserving sports persons.
- Company also contributes in rehabilitation of disabled persons.
- Company replaces the use of coal, to some extent, with the waste collected from the city. The process, though economically unviable but it contributed towards Company policy of maintaining clean environment.

Othe CSR activities undertakes by the company are detailed in other parts of annual report.

Significant Changes:

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

Auditors:

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

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

The requirements of the Regulations relevant for the year ended June 30, 2020 have been adopted by the Company and have been complied with. A Statement to this effect is annexed to the Report.

Corporate reporting Framework:

The Directors of your company states that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(q) Cost of investments on the basis of unaudited accounts of the Provident Fund is PKR 1,586 million (FY19: PKR 1,392 million) and of Gratuity is PKR 259 million (FY19: PKR 361 million).

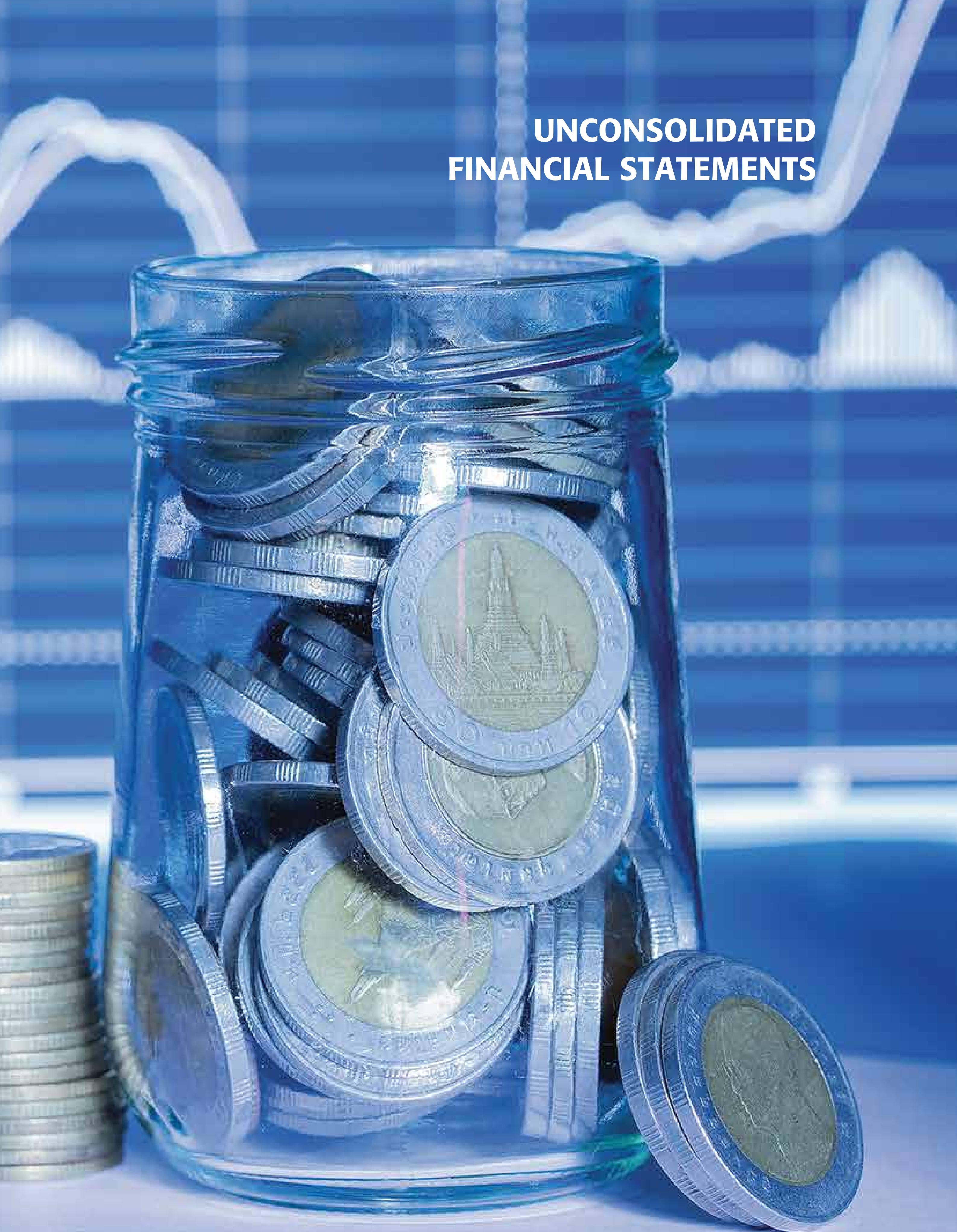
We thank all our stakeholders and admire efforts of our employees.

For and on behalf of the Board

Raza Mansha
Chief Executive Officer

Farid Noor Ali Fazal
Director

Lahore
September 17, 2020



UNCONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

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

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of D. G. Khan Cement Company Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Investments measured at fair value** *(Refer notes 18.1.4 and 18.1.5 to the annexed unconsolidated financial statements)* The Company holds investments in equity instruments of Nishat Hotels and Properties Limited ('NHPL') and Hyundai Nishat Motor (Private) Limited ('HNMPL'). Due to NHPL and HNMPL being non-listed companies, their shares do not have a quoted price in an active market. Therefore, fair values of their shares have been determined	Our audit procedures included the following: - Understood and evaluated the process by which the cash flow forecasts were prepared and approved, including confirming the mathematical accuracy of the underlying calculations; - Evaluated the cash flow forecasts by obtaining an understanding of respective businesses of NHPL and HNMPL;

Sr. No.	Key audit matters	How the matters were addressed in our audit
	through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of respective businesses and related discount rates. Management involved an expert to perform these valuations on its behalf. Due to the significant level of judgment and estimation required to determine the fair values of the investments, we consider it to be a key audit matter.	- Obtained an understanding of the work performed by the management's expert on the models for the purpose of valuations; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Obtained corroborating evidence relating to the values as determined by the management's expert by challenging key assumptions for the growth rates in the cash flow forecasts by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; - Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the values of the investments; and - Assessed the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.
2.	**Deferred taxation** *(Refer note 10 to the annexed unconsolidated financial statements)* The Company has recognized deferred tax in respect of unused tax credits and unused tax losses. Deferred tax assets on such items have been recognized as it is probable that sufficient taxable profits will be available in future, before their expiry, for their utilization on the basis of the Company's approved business plan. Due to the significant level of judgement and estimation required in preparing the business plan for determining recoverability of deferred tax assets and the significance of the amounts involved, we consider it to be a key audit matter.	Our audit procedures included the following: - Obtained an understanding of the Company's process of preparing the deferred tax working and tested internal controls over management's valuation of deferred tax assets; - Obtained an understanding regarding the relevant tax laws with respect to availability of tax credits and unused tax losses; - Recalculated the amount of tax credits and unused tax losses in accordance with the provisions of Income Tax Ordinance, 2001; - Involved internal tax specialists to check the income tax computation for the year and assessed the management's conclusion on carry forward of the tax credits and unused tax losses; - Obtained the Company's approved business plan and evaluated the management's assumptions used in the preparation of business plan; - Assessed the reasonableness of computation of taxable income derived from the Company's approved business plan; - Checked the management's analysis regarding the timing of utilization of unused tax credits and unused tax losses

Sr. No.	Key audit matters	How the matters were addressed in our audit
		by considering the year wise utilization of such amounts and evaluated the selection of the expected tax rate in this regard; and - Assessed the appropriateness of accounting policy in respect of recognition of deferred tax assets on unused tax credits and unused tax losses and the adequacy of the disclosures made by the Company in this area with regard to the applicable accounting and reporting standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance .

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

AFerguson + Co

A.F. Ferguson & Co.
Chartered Accountants

Lahore,
Date: September 17, 2020

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020	2019
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
- 950,000,000 (2019: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2019: 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 (2019: 438,119,118) ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Other reserves	6	27,226,658	28,922,952
Revenue reserve: Un-appropriated profits		35,036,308	37,624,272
		66,644,157	70,928,415
NON-CURRENT LIABILITIES			
Long term finances - secured	7	21,972,000	15,985,030
Long term deposits	8	253,937	242,043
Deferred liabilities	9	521,834	449,194
Deferred taxation	10	2,535,349	4,089,691
		25,283,120	20,765,958
CURRENT LIABILITIES			
Trade and other payables	11	11,298,187	8,029,874
Accrued markup	12	712,275	809,569
Short term borrowings - secured	13	23,495,967	20,258,570
Current portion of non-current liabilities	14	2,048,901	5,080,511
Unclaimed dividend	15	33,837	33,438
Provision for taxation		35,090	35,090
		37,624,257	34,247,052
CONTINGENCIES AND COMMITMENTS	16		
		129,551,534	125,941,425

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Chief Executive

AS AT JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	83,548,622	79,980,234
Investments	18	11,849,828	12,276,961
Long term loans to employees	19	76	237
Long term deposits		57,908	60,733
		95,456,434	92,318,165
CURRENT ASSETS			
Stores, spare parts and loose tools	20	8,237,990	9,240,264
Stock-in-trade	21	4,352,995	3,714,058
Trade debts	22	2,286,084	1,191,881
Investments	23	13,126,388	14,129,075
Loans, advances, deposits, prepayments and other receivables	24	613,166	1,064,369
Loan to related party	25	765,000	1,000,000
Income tax receivable		4,365,643	2,794,695
Cash and bank balances	26	347,834	488,918
		34,095,100	33,623,260
		129,551,534	125,941,425

Chief Financial Officer

Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the Year Ended June 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Sales	27	38,033,124	40,516,525
Cost of sales	28	(36,447,218)	(35,154,086)
Gross profit		1,585,906	5,362,439
Administrative expenses	29	(658,874)	(628,517)
Selling and distribution expenses	30	(1,783,422)	(1,305,695)
Net impairment losses on financial assets	22.2	(146,447)	(22,343)
Other expenses	31	(529,640)	(538,207)
Other income	32	2,429,575	2,427,266
Finance cost	33	(4,653,286)	(3,304,102)
(Loss)/profit before taxation		(3,756,188)	1,990,841
Taxation	34	1,597,527	(381,082)
(Loss)/profit for the year		(2,158,661)	1,609,759
(Loss)/earnings per share - basic and diluted (in Rupees)	35	(4.93)	3.67

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Chief Executive

Chief Financial Officer

David Bazal

Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2020

	2020	2019
	(Rupees in thousand)	
(Loss)/profit for the year	(2,158,661)	1,609,759
Other comprehensive loss for the year - net of tax		
Items that may be reclassified subsequently to profit or loss:	-	-
Items that will not be subsequently reclassified to profit or loss:		
Change in fair value of investments at fair value through other comprehensive income (OCI)	(1,656,258)	(6,173,919)
Tax effect of change in fair value of investments at fair value through OCI	(40,036)	335,246
Remeasurement of retirement benefits	11,964	(98,738)
Tax effect of remeasurement of retirement benefits	(3,148)	25,978
	(1,687,478)	(5,911,433)
Other comprehensive loss for the year	(1,687,478)	(5,911,433)
Total comprehensive loss for the year	(3,846,139)	(4,301,674)

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Chief Executive

Chief Financial Officer

Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	37	6,062,299	1,797,524
Finance cost paid		(4,750,580)	(2,842,412)
Retirement and other benefits paid		(95,663)	(80,495)
Income tax paid		(1,571,081)	(1,537,565)
Income tax refunded		-	1,000,000
Long term deposits - net		11,894	132,317
Net cash outflow from operating activities		(343,131)	(1,530,631)
Cash flows from investing activities			
Payments for property, plant and equipment		(7,374,428)	(7,014,359)
Proceeds from disposal of property, plant and equipment		79,865	46,560
Long term loans, advances and deposits - net		2,986	(1,127)
Investment in equity instruments		(197,500)	(464,587)
Recovery of loan given to related party		235,000	-
Interest received		117,310	97,932
Dividend received		2,053,971	1,891,538
Net cash outflow from investing activities		(5,082,796)	(5,444,043)
Cash flows from financing activities			
Proceeds from long term finances	7	5,935,055	3,600,000
Repayment of long term finances	7	(2,977,758)	(2,615,147)
Dividend paid	15	(437,720)	(1,856,922)
Net cash inflow/(outflow) from financing activities		2,519,577	(872,069)
Net decrease in cash and cash equivalents		(2,906,350)	(7,846,743)
Cash and cash equivalents at the beginning of the year		(19,769,652)	(11,740,563)
Effect of exchange rate changes on cash and cash equivalents		(472,131)	(182,346)
Cash and cash equivalents at the end of the year	38	(23,148,133)	(19,769,652)

Refer notes 7 and 15 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Chief Executive

Chief Financial Officer

David Dazal

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended June 30, 2020

	Capital Reserves				Revenue Reserves		
	Share Capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-Appropriated Profits	Total
	Rupees in thousand						
Balance as on July 01, 2018	4,381,191	4,557,163	24,779,125	353,510	5,071,827	37,949,286	**77,092,102**
Total comprehensive (loss) / income for the year							
- Profit for the year	-	-	-	-	-	1,609,759	**1,609,759**
- Other comprehensive income for the year							
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(5,838,673)	-	-	-	**(5,838,673)**
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(72,760)	**(72,760)**
	-	-	(5,838,673)	-	-	1,536,999	**(4,301,674)**
Transactions with owners in their capacity as owners recognised directly in equity							
Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)	-	-	-	-	-	(1,862,013)	**(1,862,013)**
Balance as on June 30, 2019	4,381,191	4,557,163	18,940,452	353,510	5,071,827	37,624,272	**70,928,415**
Total comprehensive loss for the year							
- Loss for the year	-	-	-	-	-	(2,158,661)	**(2,158,661)**
- Other comprehensive loss for the year							
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(1,696,294)	-	-	-	**(1,696,294)**
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	8,816	**8,816**
	-	-	(1,696,294)	-	-	(2,149,845)	**(3,846,139)**
Transactions with owners in their capacity as owners recognised directly in equity							
Final dividend for the year ended June 30, 2019 (Rupee 1 per share)	-	-	-	-	-	(438,119)	**(438,119)**
Balance as on June 30, 2020	**4,381,191**	**4,557,163**	**17,244,158**	**353,510**	**5,071,827**	**35,036,308**	**66,644,157**

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Chief Executive

Chief Financial Officer

Director

1. The Company and its activities

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

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

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiaries have been accounted for at cost less accumulated impairment losses, if any.

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

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

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated financial statements, except for the following:

(a) 'IFRS 16, 'Leases'

This standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in International Accounting Standard (IAS) 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company has assessed that the application of this standard does not have any material impact on these unconsolidated financial statements.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2020, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated financial statements, except for the following:

a) Definition of Material – Amendments to IAS 1 and IAS 8: (effective for period beginning on July 01, 2020)

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Company is yet to assess the impact of this amendment.

b) Revised Conceptual Framework for Financial Reporting: (effective for period beginning on July 01, 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or

faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Company is yet to assess the impact of this revised Conceptual Framework.

c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1: (effective for period beginning on July 01, 2022)

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

The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Company does not expect any significant impact of this amendment on its financial statements.

3. Basis of measurement

3.1 These unconsolidated financial statements have been prepared under the historical cost convention except for re-measurement of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgements

The preparation of unconsolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company’s accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the unconsolidated financial statements.

a) Provision for taxation - notes 4.2 and 34
b) Deferred tax asset for carried-forward tax losses - note 10
c) Employee benefits - notes 4.3 and 9
d) Useful lives and residual values of property, plant and equipment - notes 4.6 and 17.1
e) Fair value of unquoted fair value through other comprehensive income ('FVOCI') investments - note 4.9
f) Impairment testing of investment in subsidiaries - note 4.9
g) Impairment of financial assets (other than investments in equity instruments) - note 4.12.4

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

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Borrowings

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

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

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

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

4.2 Taxation

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

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of reporting date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items charged or credited directly to other comprehensive income or equity in which case it is included in the statement of other comprehensive income or changes in equity.

4.3 Employee benefits

4.3.1 Short term obligations

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

4.3.2 Post employment benefits

(a) Defined benefit plan - Gratuity

The Company operates an approved funded defined benefit gratuity plan for all regular employees having a service period of more than five years for officers and six months for workers. Provisions are made in the unconsolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2020 using the "Projected Unit Credit Method".

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

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

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

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

Discount rate	8.50% p.a.
Expected increase in eligible salary level	7.50% p.a.
Duration of the plan (years)	8

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

(b) Defined contribution plan

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

4.3.3 Accumulating compensated absences

The Company provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences. Under the service rules, employees are entitled to 2.5 days leave per month. Unutilised leaves can be accumulated up to 30 days in case of officers. However, leave policy for officers whose leave balance was already accumulated to 90 days or above as of July 01, 2018 may keep leaves accumulated up to 90 days. An officer is entitled to encash the unutilised earned leave accrued during the year. In addition, he can also encash some portion of his accumulated leave balance during the year. Any further unutilised leaves lapse. The earned leave encashment is based on basic salaries. In case of workers, unutilised leaves may be accumulated up to 120 days, however, accumulated leave balance above 50 days is encashable upon demand of the worker. Unutilised leaves can be used at any time by all employees, subject to the approval of the Company's management.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to statement of profit or loss . The most recent valuation was carried out as at June 30, 2020 using the "Projected Unit Credit Method.

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

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

Discount rate	8.50% p.a.
Expected rate of increase in salary level per annum	7.50% p.a.
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)
Duration of the plan (years)	9

4.4 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.5 Provisions

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

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

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

4.6 Property, plant and equipment

4.6.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain operating fixed assets signifies historical cost and borrowing costs as referred to in note 4.19.

Depreciation on all operating fixed assets is charged to the statement of profit or loss on the reducing balance method, except for plant and machinery and leasehold land which is being depreciated using the straight line method, so as to write off the depreciable amount of an asset over its estimated useful life at annual rates mentioned in note 17.1 after taking into account their residual values.

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

Depreciation on additions to operating fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized or retired from active use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 4.7 to these financial statements.

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

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

4.6.2 Major spare parts and stand-by equipment

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

4.6.3 Capital work-in-progress

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

4.7 Impairment of non-financial assets

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

4.8 Leases

The Company is the lessee:

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

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

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

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

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

4.9 Investments

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

4.9.1 Investments in equity instruments of subsidiaries

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

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

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

4.10 Stores, spare parts and loose tools

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

4.11 Stock-in-trade

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

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

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

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

4.12 Financial assets

4.12.1 Classification

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

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

- those to be measured at amortised cost.

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

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

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

4.12.2 Recognition and derecognition

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

4.12.3 Measurement

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

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

Debt instruments

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

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

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

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

Equity instruments

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

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

4.12.4 Impairment of financial assets other than investment in equity instruments

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

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

- Trade debts;
- Loans to employees;
- Loan to related party;
- Deposits and other receivables; and
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

-actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
-actual or expected significant changes in the operating results of the debtor;
-significant increase in credit risk on other financial instruments of the same debtor; and
-significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a debt is more than 360 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

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

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

Trade debts with individually significant balance are separately assessed for ECL measurement. All other receivables are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Company recognizes an impairment gain or loss in the statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

4.13 Financial liabilities

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

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

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

4.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.15 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method less loss allowance.

4.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Book overdrafts are shown within trade and other payables in current liabilities.

4.17 Contract asset and contract liability

A contract asset is recognised for the Company's right to consideration in exchange for goods or services that it has transferred to a customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.18 Foreign currency transactions and translation

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

All foreign exchange gains and losses including foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss on a net basis within exchange gains/(losses). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

b) Functional and presentation currency

Items included in the unconsolidated financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in statement of profit or loss in the period in which they are incurred.

4.20 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies. Revenue is recognised upon satisfaction of performance obligations.

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

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

4.21 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.22 Dividend

Dividend distribution to the Company's members is recognised as a liability in the period in which dividends are approved.

4.23 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.24 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up capital

2020	2019			2020	2019
(Number of shares)				(Rupees in thousand)	
343,512,029	343,512,029	Ordinary shares of Rs 10 each fully paid in cash		3,435,120	3,435,120
20,000,000	20,000,000	Ordinary shares of Rs 10 each issued for consideration other than cash	- note 5.2	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs 10 each issued as fully paid bonus shares		746,071	746,071
438,119,118	438,119,118			4,381,191	4,381,191

5.1 137,574,201 (2019: 137,574,201), 228,500 (2019: 228,500) and 3,358,344 (2019: 3,358,344) ordinary shares of the Company are held by the following related parties; Nishat Mills Limited, Security General Insurance Company Limited and Adamjee Insurance Company Limited respectively.

Nishat Mills Limited is an Investor as per International Accounting Standard ('IAS') 28, 'Investments in Associates and Joint Ventures'.

5.2 20,000,000 ordinary shares of Rs 10 each were issued to the shareholders of D.G. Khan Electric Company Limited upon its merger with D.G. Khan Cement Company Limited on 1st July 1999. These shares were issued as consideration of merger against all assets, properties, rights, privileges, powers, bank accounts, trade marks, patents, leaves and licenses of D.G. Khan Electric Company Limited.

6. Other reserves

Movement in and composition of reserves is as follows:

		2020	2019
		(Rupees in thousand)	
Capital reserves			
- Share premium	- note 6.1	4,557,163	4,557,163
- FVOCI reserve	- note 6.2	17,244,158	18,940,452
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		22,154,831	23,851,125
Revenue reserve			
- General reserve		5,071,827	5,071,827
		27,226,658	28,922,952

6.1 This reserve can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

6.2 This represents the unrealised gain on remeasurement of equity investments at FVOCI and is not available for distribution.

6.3 The Capital redemption reserve fund represents fund created for redemption of preference shares and in accordance with the terms of issue of preference shares, to ensure timely payments, the Company was required to maintain a redemption fund with respect to preference shares. The Company had created a redemption fund and appropriated Rs 7.4 million each month from the statement of profit or loss in order to ensure that fund balance at redemption date was equal to the principal amount of the preference shares. The preference shares were redeemed during the year ended June 30, 2007.

7. Long term finances - secured

		2020	2019
		(Rupees in thousand)	
Long term loans	- note 7.1	23,982,621	21,025,324
Current portion shown under current liabilities	- note 14	(2,010,621)	(5,040,294)
		21,972,000	15,985,030

7.1 Long term loans - secured

Lender	2020 (Rupees in thousand)	2019 (Rupees in thousand)	Rete of mark-up per annum	Number of instalments outstanding	Mark-up Payable
Local currency					
Loan 1 The Bank of Punjab	400,000	450,000	** Base rate + 0.25%	8 equal semi-annual installments ending in December 2024	Half yearly
Loan 2 Habib Bank Limited	300,000	450,000	* Base rate + 0.25%	4 equal quarterly installments ending in December 2021	Quarterly
Loan 3 Habib Bank Limited	2,000,000	2,250,000	* Base rate + 0.20%	8 equal semi-annual installments ending in December 2024	Quarterly
Loan 4 Habib Bank Limited	1,999,844	2,249,824	* Base rate + 0.3%	8 equal semi-annual installments ending in December 2024	Quarterly
Loan 5 Bank Alfalah Limited	2,000,000	2,250,000	** Base rate + 0.25%	8 equal semi-annual installments ending in December 2024	Quarterly
Loan 6 National Bank of Pakistan	2,242,500	2,541,500	* Base rate + 0.25%	15 equal quarterly installments ending in October 2024	Quarterly
Loan 7 Bank Islami Limited	100,000	300,000	** Base rate + 0.2%	2 equal quarterly installments ending in September 2021	Quarterly
Loan 8 Standard Chartered Bank (Pakistan) Limited	500,000	1,000,000	* Base rate + 0.15%	3 equal quarterly installments ending in December 2021	Quarterly
Loan 9 National Bank of Pakistan-Islamic	1,000,000	1,000,000	** Base rate + 0.25%	10 equal semi annual payments starting in June 2021	Half yearly
Loan 10 Allied Bank Limited	5,230,222	5,884,000	* Base rate + 0.2%	16 equal quarterly instalments ending in March 2025	Quarterly
Loan 11 Allied Bank Limited	900,000	900,000	* Base rate + 0.35%	20 equal quarterly installments starting in August 2021	Quarterly
Loan 12 Bank Alfalah Limited	1,375,000	1,750,000	* Base rate + 0.35%	11 equal quarterly instalments ending in November 2023	Quaterly
Loan 13 Bank Alfalah Limited	1,500,000	-	* Base rate + 0.75%	16 equal quarterly instalments starting in March 2022	Quarterly
Loan 14 Allied Bank Limited	1,000,000	-	* Base rate + 0.60%	12 equal quarterly instalments starting in May 2022	Quarterly
Loan 15 Allied Bank Limited	570,338	-	*** Base rate + 0.5%	8 equal quarterly instalments starting in January 2021	Quarterly
Loan 16 National Bank of Pakistan	2,864,717	-	* Base rate + 0.75%	20 equal quarterly instalments starting in August 2022	Quaterly
	23,982,621	**21,025,324**			

* Base rate: Average ask rate of three-month Karachi Inter-Bank Offered Rate ('KIBOR') to be reset for each mark-up period.
** Base rate: Average ask rate of six-month KIBOR to be reset for each mark-up period.
*** This represents long term financing facility availed from Allied Bank Limited under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), subject to the approval of SBP. The total facility available amounts to Rs 575 million. The base rate applicable during the year is three-month KIBOR to be reset for each mark-up period. However, subsequently in August 2020, the SBP has granted approval to one tranche of this loan amounting Rs 187.004 million under the Refinance Scheme resulting in changing of existing base rate to SBP rate which is 0%.

7.2 Security

Loan 1
First pari passu charge over present and future fixed assets of the Company for Rs 667 million with 25% margin.

Loan 2
First pari passu charge over present and future fixed assets of the Company for Rs 2,000 million with 25% margin.

Loan 3
First pari passu charge over present and future fixed assets of the Company for Rs 3,333.34 million with 25% margin.

Loan 4
First pari passu charge over present and future fixed assets of the Company for Rs 3,333.34 million with 25% margin.

Loan 5
First pari passu charge over present and future fixed assets of the Company for Rs 3,333.34 million with 25% margin.

Loan 6
First pari passu charge over present and future fixed assets of the Company for Rs 4,000 million with 25% margin.

Loan 7
First pari passu charge over present and future fixed assets of the Company for Rs 1,000 million.

Loan 8
First pari passu charge over present and future fixed assets of the Company for Rs 2,666 million.

Loan 9
First pari passu charge over present and future fixed assets of the Company for Rs 1,333.34 million.

Loan 10
First pari passu charge over present and future fixed assets of the Company for Rs 7,867 million with 25% margin.

Loan 11
First pari passu charge over present and future fixed assets of the Company for Rs 1,200 million with 25% margin.

Loan 12
First pari passu charge over present and future fixed assets of the Company for Rs 2,667 million.

Loan 13
Ranking charge over fixed assets of the Company for Rs 2,000 million to be upgraded to first pari passu charge.

Loan 14
Ranking charge over fixed assets of the Company for Rs 1,333.33 million to be upgraded to first pari passu charge.

Loan 15
Ranking charge over fixed assets of the Company for Rs 760 million to be upgraded to first pari passu charge.

Loan 16
First pari passu charge over present and future fixed assets of the Company for Rs 6,993.33 million with 25% margin.

		2020	2019
		(Rupees in thousand)	

7.3 The reconciliation of the carrying amount is as follows:

Opening balance		21,025,324	20,040,471
Disbursements during the year		5,935,055	3,600,000
Repayments during the year		(2,977,758)	(2,615,147)
	- note 7.1	23,982,621	21,025,324
Current portion shown under current liabilities	- note 14	(2,010,621)	(5,040,294)
		21,972,000	15,985,030

8. Long term deposits

Customers	152,152	139,863
Others	101,785	102,180
	253,937	242,043

These include interest free security deposits from stockists and suppliers and are repayable on cancellation/withdrawal of the dealership or on cessation of business with the Company. As per the agreements signed with these parties, the Company has the right to utilise the amounts for the furtherance of their business, hence, the amounts are not required to be kept in a separate account maintained in a scheduled bank. Therefore, the Company is in compliance with section 217 of Companies Act, 2017. These deposits have not been carried at amortised cost since the effect of discounting is immaterial in the context of these financial statements.

		2020	2019
		(Rupees in thousand)	

9. Deferred liabilities

Staff gratuity	- note 9.1	362,292	298,240
Accumulating compensated absences	- note 9.2	159,542	150,954
		521,834	449,194

9.1 Staff gratuity

The amounts recognised in the statement of financial position are as follows:		
Present value of defined benefit obligation	798,510	708,876
Fair value of plan assets	(436,218)	(410,636)
Liability as at June 30	362,292	298,240

9.1.1 Movement in net liability for staff gratuity

Net liability as at beginning of the year	298,240	161,815
Current service cost	79,585	67,473
Net interest on defined benefit obligation	96,177	50,661
Return on plan assets during the year	(57,093)	(38,007)
	118,669	80,127
Total remeasurements for the year (credited)/charged to other comprehensive income	(11,963)	98,738
Contributions made by the Company during the year	(42,654)	(42,440)
Net liability as at end of the year	362,292	298,240

	2020	2019
	(Rupees in thousand)	

9.1.2 Movement in present value of defined benefit obligation

	2020	2019
Present value of defined benefit obligation as at beginning of the year	708,876	584,159
Current service cost	79,585	67,473
Interest cost	96,177	50,661
Benefits paid during the year	(62,620)	(42,522)
Remeasurements:		
- Actuarial (gains)/losses from changes in financial assumptions	(7,149)	5,656
- Experience adjustments	(16,359)	43,449
	(23,508)	49,105
Present value of defined benefit obligation as at end of the year	798,510	708,876

9.1.3 Movement in fair value of plan assets

	2020	2019
Fair value of plan assets as at beginning of the year	410,636	422,344
Interest income on plan assets	57,093	38,007
Contributions during the year	42,654	42,440
Benefits paid during the year	(62,620)	(42,522)
Remeasurements in fair value of plan assets	(11,545)	(49,633)
Fair value of plan assets as at end of the year	436,218	410,636

9.1.4 Plan assets

Plan assets are comprised as follows:

	2020		2019	
	(Rs in '000')	Percentage	(Rs in '000')	Percentage
Plan assets				
Cash and bank balances	66,033	15.14%	8,854	2.16%
Debt instruments	312,552	71.65%	264,525	64.42%
Special Savings Certificates with accrued interest	57,633	13.21%	77,284	18.82%
Deposits	-	0.00%	59,973	14.60%
	436,218	100.00%	410,636	100.00%

	2020	2019
	(Rupees in thousand)	

9.1.5 Charge for the year

	2020	2019
Current service cost	79,585	67,473
Interest cost	96,177	50,661
Interest income on plan assets	(57,093)	(38,007)
Total expense for the year	118,669	80,127

	2020	2019
	(Rupees in thousand)	

9.1.6 Total remeasurements charged to other comprehensive income

	2020	2019
Actuarial (gains)/losses from changes in financial assumptions	(7,149)	5,656
Experience adjustments	(16,359)	43,449
	(23,508)	49,105
Remeasurements in plan assets, excluding interest income	11,545	49,633
Total remeasurements (credited)/charged to other comprehensive income	(11,963)	98,738

9.1.7 Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under:

		2020	2019
Discount rate	Per annum	8.50%	14.25%
Expected rate of increase in salary	Per annum	7.50%	13.25%
Rate of interest income on plan assets	Per annum	8.50%	14.25%
Duration of the plan	Number of years	8	8

9.1.8 Year end sensitivity analysis (±100 bps) on defined benefit obligation is as follows:

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	(Rupees in thousand)			
Present value of defined benefit obligation	733,780	861,897	862,624	732,096

9.1.9 The Company expects to pay Rs 112.632 million in contributions to defined benefit plan during the year ending June 30, 2021.

9.1.10 The Company faces the following risks on account of gratuity fund:

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Mortality risk – the risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- Withdrawal risk – the risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

		2020	2019
		(Rupees in thousand)	

9.2 Accumulating compensated absences

		2020	2019
Opening liability		150,954	143,327
Charged to profit or loss		59,661	85,899
Payments made during the year		(12,793)	(38,055)
		197,822	191,171
Current portion shown under current liabilities	- note 14	(38,280)	(40,217)
Liability as at year end		159,542	150,954

9.2.1 Movement in liability for accumulating compensated absences

	2020	2019
Present value of accumulating compensated absences as at beginning of the year	150,954	143,327
Current service cost	53,353	48,693
Interest cost	17,872	9,377
Benefits due but not paid	(38,280)	(40,217)
Benefits paid during the year	(12,793)	(38,055)
Remeasurement in respect of experience adjustments	(11,564)	27,829
Present value of accumulating compensated absences as at year end	159,542	150,954

9.2.2 Charge for the year

	2020	2019
Current service cost	53,353	48,693
Interest cost	17,872	9,377
Remeasurement during the year	(11,564)	27,829
Total expense for the year	59,661	85,899

9.2.3 Assumptions used for valuation of the accumulating compensated absences are as under:

		2020	2019
Discount rate	Per annum	8.50%	14.25%
Expected rate of increase in salary	Per annum	7.5%	13.25%
Duration of the plan	Number of years	9	9
Expected withdrawal and early retirement rate		SLIC 2001-2005 mortality table	SLIC 2001-2005 mortality table

9.2.4 Year end sensitivity analysis (± 100 bps) on obligation:

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	(Rupees in thousand)			
Present value of obligation	146,495	174,733	174,557	146,425

9.2.5 The Company faces the following risks on account of accumulating compensated absences:

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Mortality risk – the risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk - the risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

10. Deferred taxation

		2020	2019
		(Rupees in thousand)	
The liability for deferred taxation comprises taxable/(deductible) temporary differences relating to:			
Deferred tax liability			
Accelerated tax depreciation		10,256,805	9,850,456
Borrowing cost capitalised		7,346	-
Un-realised gain on investments - net		89,791	49,755
		10,353,942	9,900,211
Deferred tax asset			
Available unused tax credits		(1,920,772)	(2,316,183)
Available unused tax losses		(5,713,170)	(3,357,338)
Loss allowance on financial assets		(37,260)	(8,212)
Provision for retirement and other benefits		(147,392)	(128,787)
		(7,818,594)	(5,810,520)
		2,535,348	4,089,691
The gross movement in net deferred tax liability during the year is as follows:			
Opening balance		4,089,691	4,082,974
Charged/(credited) to other comprehensive income		43,184	(361,224)
(Credited)/charged to statement of profit or loss	- note 34	(1,597,527)	367,941
Closing balance		2,535,348	4,089,691

Deferred tax assets have been recognized to the extent that the realisation of related tax benefits is probable from reversal of existing taxable temporary differences and future taxable profits. Based on the Company's approved business plan, it is probable that sufficient taxable profits will be available for utilization of deferred tax assets.

		2020	2019
		(Rupees in thousand)	

11. Trade and other payables

		2020	2019
Trade creditors	- note 11.1	4,325,320	3,261,220
Infrastructure cess		89,164	89,164
Contract liability		1,546,864	555,107
Accrued liabilities	- notes 11.2 & 11.6	4,078,887	3,556,867
Workers' profit participation fund	- note 11.3	91,775	195,599
Withholding tax payable		9,185	12,866
Retention money payable		110,942	118,632
Export commission payable		97,640	52,268
Federal Excise Duty payable		874,586	33,936
Book overdraft	- note 11.4	23,814	87,470
Others	- note 11.5	50,010	66,745
		11,298,187	8,029,874

11.1 Trade creditors include amounts due to following related parties:

	2020	2019
Nishat Paper Products Company Limited	558,115	154,240
Security General Insurance Company Limited	1,616	10,729
Nishat Dairy (Private) Limited	88,071	80,613
	647,802	245,582

11.2 Includes Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. Subsequent to the year end, the Supreme Court of Pakistan has upheld the GIDC Act, 2015 to be constitutional and intravires. The Company intends to file a review against the said decision.

		2020	2019
		(Rupees in thousand)	

11.3 Workers' profit participation fund

		2020	2019
Opening balance		195,599	396,000
Provision for the year	- note 31	-	104,781
Interest for the year	- note 33	8,520	-
		204,119	500,781
Payments made during the year		(112,358)	(305,182)
Closing balance		91,761	195,599

11.4 This represents book overdraft balances due to unpresented cheques in respect of saving bank accounts.

11.5 Includes payable to employees' provident fund amounting to Nil (2019: Rs 6.135 million). The maximum aggregate amount outstanding at the end of any month during the year of employees' provident fund was Nil (2019: Rs 670.13 million)

11.6 This includes reversal of excess provision in respect of previous years amounting to Rs 526.463 million.

		2020	2019
		(Rupees in thousand)	

12. Accrued markup

Accrued mark-up/interest on:			
- Long term loans - secured		402,403	416,764
- Short term borrowings - secured		309,872	392,805
		712,275	809,569

13. Short term borrowings - secured

Short term running finances - secured	- note 13.1	13,638,030	11,115,650
Import finances - secured	- note 13.2	5,974,437	7,852,920
Export finances - secured	- note 13.3	3,883,500	1,290,000
		23,495,967	20,258,570

13.1 Short term running finances - secured

Short term running finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 26,438 million (2019: Rs 18,300 million). Such facilities are available at mark-up rates ranging from one to three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 0.05% to 1.25% per annum (2019: one to three months KIBOR plus 0.05% to 1.00% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 8.41% to 14.86% (2019: 6.45% to 13.07%) per annum and mark-up is payable monthly to quarterly. These are secured by first registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, trade debts, investments and receivables.

13.2 Import finances - secured

Import finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 13,500 million (2019: Rs 11,800 million). Such facilities are available at mark-up rates ranging from one to six months KIBOR plus 0.010% to 0.2% per annum (2019: one to three months KIBOR plus 0.010% to 0.2% per annum) and one to six months London Inter-Bank Offered Rate ('LIBOR') plus 0.75% per annum (2019: one to six months LIBOR plus 0.5% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 1.74% to 13.91% (2019: 2.38% to 12.37%) per annum and mark-up is payable on settlement. The aggregate import finances are secured by a registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, trade debts, investments and other receivables.

13.3 Export finances - secured

Export finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 10,650 million (2019: Rs 4,350 million). Such facilities are available at mark-up rate as per the State Bank of Pakistan's (SBP) Export Finance Scheme plus 0.25% to 1.00% per annum (2019: mark-up rate as per SBP's Export Finance Scheme plus 0.25% to 0.35% per annum). The Export Finance Scheme rate has remained constant at 2% throughout the year, however, in respect of a certain facility, KIBOR plus 0.3% was charged for a certain period. These loans are obtained for a period of 180 days and are secured against pari passu hypothecation charge over current assets of the Company.

13.4 Letters of credit and guarantees

Of the aggregate facility of Rs 25,660 million (2019: Rs 13,810 million) for opening letters of credit and Rs 4,170 million (2019: Rs 4,600 million) for guarantees, all being either main limits or sub-limits of the facilities, the amount utilised as at June 30, 2020 was Rs 3,610 million (2019: Rs 2,384 million) and Rs 2,915 million (2019: Rs 2,812 million) respectively. The facilities for opening letters of credit are secured against lien over import documents whereas aggregate facilities for guarantees are secured against registered joint pari passu charge over the present and future current assets of the Company. Of the facility for guarantees, Rs 14.48 million (2019: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 26.2.

		2020	2019
		(Rupees in thousand)	

14. Current portion of non-current liabilities

Long term finances	- note 7	2,010,621	5,040,294
Accumulating compensated absences	- note 9.2	38,280	40,217
		2,048,901	5,080,511

15. Unclaimed dividend

The disclosures required under section 244 of the Companies Act, 2017 are as follows:

	2020	2019
	(Rupees in thousand)	
Amounts transferred into unpaid dividend account	34,000	-
Dividend claims received and settled	962	939
Profits generated from unpaid dividend account	-	-
Profits utilised	-	-

The reconciliation of carrying amount is as follows:

Opening balance	33,438	28,346
Dividends declared	438,119	1,862,006
Interest on dividend	-	-
Dividends paid	(437,720)	(1,856,914)
Closing balance	33,837	33,438

16. Contingencies and commitments

16.1 Contingencies

Contingent assets:

16.1.1 The matter relating to interpretation of provisions of section 4(2) of the repealed Central Excise Act, 1944 (1944 Act) has now attained finality after having been adjudicated by the honourable Supreme Court of Pakistan through its judgment dated 27 January 2009 (upholding its previous judgment dated 15 February 2007). The longstanding controversy between the Revenue Department and the tax payers related primarily to finer interpretation of the provisions of section 4(2) of the 1944 Act wherein the department had a view that excise duty shall be included as a component for determination of the value (retail price) for levying excise duty. The departmental view, being against the spirit of law, was challenged by the taxpayers in appeals before the honourable High Courts of Pakistan which, duly appreciating the contentions of the taxpayers, overturned the departmental view and succeeded the appeals.

Now, since the controversy has attained finality up to the highest appellate level, the Company has initiated the process of claiming refund of excess excise duty paid by it during the periods from 1994 to 1999 which aggregates Rs 1,115.145 million. The amount of refund, however, shall be incorporated in the books of account once it is realized by the Company.

16.1.2 The Income Tax Officer, while framing the assessments for the assessment years 1984-85 to 1990-91, has taxed the income of the Company on account of the interest on the deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the Company issued an order in favour of the Company for the assessment years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these financial statements for the relief granted by the Appellate Tribunal aggregating Rs 35.090 million.

Contingent liabilities:

16.1.3 During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484(I)/92, 978(I)/95 and 569(I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Company appealed before the Lahore High Court, Multan Bench, which allowed the Company to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan, passed an order dated November 26, 1999, against the Company on the grounds that the said machinery was being manufactured locally during the time when it was imported.

After various appeals at different forums, the honourable Supreme Court of Pakistan remanded the case back to the Customs Authorities to reassess the liability of the Company. The custom authorities re-determined the liability of the Company upon which the Company preferred an appeal to the Customs Appellate Tribunal. The Tribunal decided the case in favour of the Company, upon which the Company discharged all liabilities. However, the custom authorities preferred a reference to the Lahore High Court, Multan Bench on November 19, 2013. Last hearing of the case was conducted on June 25, 2018. In case of any adverse decision, the management assesses liability to the tune of Rs 233.390 million. No provision for this amount has been made in the financial statements as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

16.1.4 The Competition Commission of Pakistan ('the CCP') took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association ('APCMA') and its member cement manufacturers. The Company filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs 933 million on the Company. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Company for the time being.

The vires of the Competition Commission of Pakistan have been challenged by a large number of petitioners and all have been advised by their legal counsels that prima facie the Competition Ordinance, 2007 is ultra vires of the Constitution of Pakistan. The Honourable Supreme Court of Pakistan sent the appeals of the petitioners to newly formed Competition Appellate Tribunal ('CAT') to decide the matter. The Company has challenged sections 42, 43 and 44 of the Competition Act, 2010 in the Sindh High Court. The Honourable Sindh High Court upon petition filed by large number of petitioners gave direction to CAT to continue with the proceedings and not to pass a final order till the time petition is pending in Sindh High Court. No provision for this amount has been made in the financial statements as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

16.1.5 The Honourable Sindh High Court passed an Order dated September 17, 2008 in which it rendered the fifth version of law enforcing infrastructure cess as valid and intravires. The Company filed an appeal in the Sindh High Court against the fifth and subsequent versions of the infrastructure cess. The parties finally reached an interim arrangement, through an order of the Sindh High Court dated May 31, 2011, for the release of 50% of the guarantees pertaining to consignments between December 28, 2006 to May 30, 2011, while the remainder amounting to Rs 89.164 million was kept alive till the disposal of the case which remains pending in the Sindh High Court. According to the legal counsel of the Company, chances of favourable outcome of the appeal are fair, therefore, 50% of the amount of infrastructure cess payable has not been incorporated in these financial statements amounting to Rs 89.164 million.

16.1.6 The Company, consequent to the order-in-appeal passed by the learned Customs, Federal Excise and Sales Tax Appellate Tribunal, Lahore, filed a petition before the Lahore High Court on March 27, 2008, challenging the levy of sales tax on the in-house consumption of Shale, Gypsum and Limestone for the period from June 13, 1997 to August 11, 1998. Last hearing of the case was conducted on December 17, 2015. According to the legal counsel of the Company, chances of favourable outcome of the petition are fair, therefore the payable amount has not been incorporated in these financial statements amounting to Rs 212.239 million.

16.1.7 The banks have issued the following guarantees on Company's behalf in favour of:

- Collector of Customs, Excise and Sales Tax against levy of sales tax, custom duty and excise amounting to Rs 31.115 million (2019: Rs 34.772 million).

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 805.9 million (2019: Rs 755.9 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organization amounting to Rs 0.5 million (2019: Rs 0.5 million).

- Sui Northern Gas Pipelines Limited against supply of 6 MMCFD and 14 MMCFD gas for captive use at plants at Khairpur and at D.G. Khan respectively amounting to Rs 544.414 million (2019: Rs 544.414 million).

- Sindh High Court against levy of sales tax, custom duty and excise amounting to Rs 176.860 million (2019: Rs 176.860 million).

- Export orders amounting to Rs 5.042 million (2019: Rs 2.434 million).

- K-Electric Limited against supply of electricity to Hub plant amounting to Rs 142.4 million (2019: Rs 142.4 million).

- Supreme Court of Pakistan in respect of Katas Raj Temple water shortage case amounting to Nil (2019: Rs 600 million).

16.1.8 The Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs 1,208.524 million (2019: Rs 550 million).

16.1.9 The Company has issued a post dated cheque in favour of Nazir of the High Court of Sindh amounting to Rs 227.76 million (2019: Nil) against the Industrial Support Package Adjustment on K-Electric electricity bills.

16.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 2,614.855 million (2019: Rs 1,600.703 million).
(ii) Letters of credit for capital expenditure Rs 2,237.133 million (2019: Rs 935.353 million).
(iii) Letters of credit other than capital expenditure Rs 1,373.152 million (2019: Rs 1,423.09 million).
(iv) The amount of future payments under leases and the period in which these payments will become due are as follows:

	2020	2019
	(Rupees in thousand)	
Not later than one year	425	425
Later than one year and not later than five years	1,699	1,699
Later than five years	4,712	5,125
	6,836	7,249

17. Property, plant and equipment

		2020	2019
Operating fixed assets	- note 17.1	76,986,536	76,928,989
Capital work-in-progress	- note 17.2	6,369,586	3,008,937
Major spare parts and stand-by equipment	- note 17.3	192,500	42,308
		83,548,622	79,980,234

17.1 Operating fixed assets

2020 (Rupees in thousand)

	Annual rate of depreciation %	Cost as at July 01, 2019	Additions/ (Deletions)	Cost as at 30 June 2020	Accumulated depreciation and impairment as at July 01, 2019	Depreciation charge/ (deletions) for the year	Accumulated depreciation and impairment as at June 30, 2020	Book value as at June 30, 2020
Freehold land - note 17.1.2	-	1,774,565	15,570	1,790,135	-	-	-	1,790,135
Leasehold land	3.33	263,000	-	263,000	24,706	8,767	33,473	229,527
Buildings on freehold land								
- Factory building	5	21,378,820	259,593	21,638,413	5,410,479	810,134	6,220,613	15,417,800
- Office building and housing colony	5	3,258,824	2,531	3,261,355	571,862	134,604	706,466	2,554,889
Roads	10	2,292,575	15,454	2,308,029	513,259	180,972	694,231	1,613,798
Plant and machinery	3.33 to 5.502	66,351,067	2,825,699	69,075,853	18,250,307	1,784,201	20,032,748	49,043,105
			(100,913)			(1,760)		
Quarry equipment	10	4,259,602	166,964	4,426,566	1,778,220	212,161	1,990,381	2,436,185
Furniture and fittings	30	436,863	40,407	477,270	180,589	85,455	266,044	211,226
Office equipment	30	450,822	82,708	533,530	236,283	78,494	314,777	218,753
Vehicles	20	865,149	52,414	882,244	326,466	97,947	404,881	477,363
			(35,319)			(19,532)		
Aircraft	30	328,752	-	328,752	298,774	8,992	307,766	20,986
Power and water supply lines	10	3,541,061	402,247	3,943,308	681,166	289,373	970,539	2,972,769
		105,201,100	3,863,587	108,928,455	28,272,111	3,691,100	31,941,919	76,986,536
			(136,232)			(21,292)		

2019 (Rupees in thousand)

	Annual rate of depreciation %	Cost as at July 01, 2018	Additions/ (Deletions)	Cost as at 30 June 2019	Accumulated depreciation and impairment as at July 01, 2019	Depreciation charge/ (deletions) for the year	Accumulated depreciation and impairment as at June 30, 2019	Book value as at June 30, 2019
Freehold land	-	1,754,575	19,990	1,774,565	-	-	-	1,774,565
Leasehold land	3.33	63,000	200,000	263,000	22,050	2,656	24,706	238,294
Buildings on freehold land								
- Factory building	5	19,966,566	1,412,254	21,378,820	4,633,229	777,250	5,410,479	15,968,341
- Office building and housing colony	5	2,705,795	553,029	3,258,824	456,643	115,219	571,862	2,686,962
Roads	10	1,454,061	838,514	2,292,575	400,847	112,412	513,259	1,779,316
Plant and machinery	3.33 to 60	63,252,173	3,098,894	66,351,067	16,542,114	1,708,193	18,250,307	48,100,760
Quarry equipment	10	3,946,993	312,609	4,259,602	1,558,719	219,501	1,778,220	2,481,382
Furniture and fittings	30	321,310	115,553	436,863	94,834	85,755	180,589	256,274
Office equipment	30	379,634	71,188	450,822	163,362	72,921	236,283	214,539
Vehicles	20	671,293	257,635	865,149	272,251	89,952	326,466	538,683
			(63,779)			(35,737)		
Aircraft	30	328,752	-	328,752	285,928	12,846	298,774	29,978
Power and water supply lines	10	3,397,912	143,149	3,541,061	377,804	303,362	681,166	2,859,895
		98,242,064	7,022,815	105,201,100	24,807,781	3,500,067	28,272,111	76,928,989
			(63,779)			(35,737)		

17.1.1 Freehold land and building include book values of Rs 12 million (2019: Rs 12 million) and Rs 4.959 million (2019: Rs 4.907 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defence Housing Authority, Lahore, where the bye-laws restrict transfer of title of the residential property in the name of the Company.

17.1.2 Following are the particulars of the Company's immovable fixed assets:

Location	Usage of immovable property	Total Area (in Acres)
Hub, Mauza Chichai, Balochistan	Plant site and staff colony	1466.5
Khairpur district, Chakwal, Punjab	Plant site and staff colony	901.5
Kanrach Nai, District Lasbela, Balochistan	Source of raw material	723.14
Dera Ghazi Khan, Punjab	Plant site and staff colony	590
Lakho Dair, Lahore, Punjab	Processing site	45
Gulberg, Lahore, Punjab	Administrative offices	1.5
Others	Sales offices	0.28

17.1.3 The depreciation charge for the year has been allocated as follows:

		2020	2019
		(Rupees in thousand)	
Cost of sales	- note 28	3,604,695	3,421,965
Administrative expenses	- note 29	78,502	69,485
Selling and distribution expenses	- note 30	7,903	8,617
		3,691,100	3,500,067

17.1.4 Sale of operating fixed assets

Detail of operating fixed assets sold during the year is as follows:

2020 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on sale	Mode of sale
Plant and machinery						
	Izhar Construction (Private) Limited	7,265	7,152	5,128	(2,024)	Negotiation
	Izhar Construction (Private) Limited	7,179	6,874	5,128	(1,746)	-do-
	Izhar Construction (Private) Limited	8,120	7,994	5,677	(2,317)	-do-
	Izhar Construction (Private) Limited	78,349	77,134	47,067	(30,067)	-do-
Vehicles	**Employee**					
	Muhammad Alam	1,887	1,112	1,112	-	As per Company policy
	Aftab Ahmad Khan (Key Management Personnel)	2,387	1,433	1,433	-	-do-
	Aftab Ahmad Khan (Key Management Personnel)	2,734	1,479	1,479	-	-do-
	Nasir Iqbal	2,396	1,950	-	(1,950)	-do-
	Arif Bashir (Key Management Personnel)	2,521	1,318	2,237	919	-do-
	Rana Rasheed Ahmad	1,786	869	869	-	-do-
	Azam Munir	1,771	912	912	-	-do-
	Muhammad Ghaffar Rao	1,953	797	-	(797)	-do-
	Ahson Atta	2,503	1,067	1,067	-	-do-
	Mazhar ul Haq	1,815	1,477	1,480	3	-do-
	Outside parties					
	Mrs. Neham Khalil	2,546	893	1,575	682	Auction

(Rupees in thousand)

Particulars of assets	Sold to	2019 Cost	Book value	Sale proceeds	Gain / (loss) on sale	Mode of sale
Vehicles	**Employees**					
	Muhammad Aslam	1,971	999	999	-	As per Company policy
	Mushtaq Ahmed	1,786	1,123	1,123	-	-do-
	Muhammad Aslam	1,971	1,200	1,200	-	-do-
	Zakki Nasir	1,846	886	1,750	864	Negotiation
	Outside parties					
	Shafaqat Ali	1,555	530	1,333	803	Auction
	Nisar Ahmed Qureshi	2,483	1,655	1,655	-	-do-
	Abdul Hameed	1,555	562	1,328	766	-do-
	Khurram Imtiaz	1,971	902	2,020	1,118	-do-
	Mehmood Dasti (ex-employee)	1,771	1,065	1,065	-	-do-
	Mukhtar Ahmad	1,971	1,002	1,016	14	-do-
	Adnan Qureshi	1,606	605	1,408	803	-do-
	Muhammad Asim Mumtaz	2,521	1,563	1,563	-	-do-
	Adnan Naseer	1,715	1,116	1,650	534	-do-
	Mohsin Jamshed	2,095	1,492	2,277	785	-do-
	Muhammad Yousuf	1,673	538	1,290	752	-do-

17.2 Capital work-in-progress

2020 (Rupees in thousand)

	Balance as at July 1, 2019	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Transfers to stores, spare parts and loose tools	Balance as at June 30, 2020
Civil works	1,001,461	591,888	74,564	-	2,047,729	(3,072,849)	-	-	642,793
Plant and machinery	1,724,300	4,603,693	-	(11,511)	(2,024,670)	(7,054)	(435,020)	(71,118)	3,778,620
Advances to suppliers and contractors	236,442	534,575	-	-	(568,403)	-	-	-	202,614
Others	46,734	16,374	-	-	(46,494)	-	-	-	16,614
Expansion Project:									
- Civil works	-	397,735	-	-	568,402	-	-	-	966,137
- Plant and machinery	-	573,559	27,917	-	23,436	-	-	-	624,912
- Others	-	137,896	-	-	-	-	-	-	137,896
	-	1,109,190	27,917	-	591,838	-	-	-	1,728,945
	3,008,937	6,855,720	102,481	(11,511)	-	(3,079,903)	(435,020)	(71,118)	6,369,586

2019 (Rupees in thousand)

	Balance as at July 1, 2019	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Transfers to stores, spare parts and loose tools	Balance as at June 30, 2020
Civil works	226,299	960,808	-	-	27,457	(213,103)	-	-	1,001,461
Plant and machinery	756,743	2,442,800	-	-	414,374	(1,125,577)	(764,040)	-	1,724,300
Advances to suppliers and contractors	8,954	816,782	-	-	(533,587)	-	(55,707)	-	236,442
Others	-	35,325	11,409	-	-	-	-	-	46,734
Expansion Project:									
- Civil works	496,086	1,293,880	-	(263)	262,146	(2,051,849)	-	-	-
- Plant and machinery	304,763	211,847	-	-	1,004,700	(1,521,310)	-	-	-
- Advances to suppliers and contractors	1,175,090	-	-	-	(1,175,090)	-	-	-	-
- Others	-	764,884	-	-	-	(764,884)	-	-	-
	1,975,939	2,270,611	-	(263)	91,756	(4,338,043)	-	-	-
	2,967,935	6,526,326	11,409	(263)	-	(5,676,723)	(819,747)	-	3,008,937

	2020	2019
	(Rupees in thousand)	

17.3 Major spare parts and stand-by equipment

The reconciliation of carrying amount is as follows:

	2020	2019
Balance at the beginning of the year	42,308	91,766
Additions during the year	728,837	441,880
	771,145	533,646
Transfers made during the year	(578,645)	(491,338)
Balance at the end of the year	192,500	42,308

17.4 All operating fixed assets are pledged as security against long term finances as referred to in note 7.

18. Investments

		2020	2019
		(Rupees in thousand)	
These represent the long term investments in:			
- Related parties	- note 18.1	11,756,373	12,146,480
- Others	- note 18.2	93,455	130,481
		11,849,828	12,276,961

18.1 Related Parties

Subsidiaries - unquoted - at cost:

Nishat Paper Products Company Limited

		2020	2019
25,595,398 (2019: 25,595,398) fully paid ordinary shares of Rs 10 each			
Equity held: 55% (2019: 55%)			
Cost - Rs 250.811 million (2019: Rs 250.811 million) Cumulative impairment loss - Nil (2019: Rs 28.937 million)	- notes 18.1.1 & 18.1.2	250,811	221,874

Nishat Dairy (Private) Limited

		2020	2019
270,000,000 (2019: 270,000,000) fully paid ordinary shares of Rs 10 each			
Equity held: 55.10% (2019: 55.10%)			
Cost - Rs 2,331.900 million (2019: Rs 2,331.900 million)			
Cumulative impairment loss - Rs 162.789 million (2019: Rs 162.789 million)	- note 18.1.3	2,169,111	2,169,111
	sub-total	2,419,922	2,390,985

		2020	2019
		(Rupees in thousand)	
FVOCI - quoted:			
Nishat (Chunian) Limited			
7,173,982 (2019: 7,173,982) fully paid ordinary shares of Rs 10 each			
Equity held: 2.99% (2019: 2.99%)			
Cost - Rs 75.565 million (2019: Rs 75.565 million)		232,796	251,233
MCB Bank Limited			
21,305,315 (2019: 21,305,315) fully paid ordinary shares of Rs 10 each			
Equity held: 1.80% (2019: 1.80%)			
Cost - Rs 125.834 million (2019: Rs 125.834 million)		3,452,952	3,716,712
Adamjee Insurance Company Limited			
27,877,735 (2019: 27,877,735) fully paid ordinary shares of Rs 10 each			
Equity held: 7.97% (2019: 7.97%)			
Cost - Rs 1,239.698 million (2019: Rs 1,239.698 million)		923,032	977,115
Nishat Mills Limited			
30,289,501 (2019: 30,289,501) fully paid ordinary shares of Rs 10 each			
Equity held: 8.61% (2019: 8.61%)			
Cost - Rs 1,326.559 million (2019: Rs 1,326.559 million)		2,362,884	2,827,222
	sub-total	6,971,664	7,772,282
FVOCI - unquoted:			
Nishat Hotels and Properties Limited			
104,166,667 (2019: 104,166,667) fully paid ordinary shares of Rs 10 each			
Equity held: 10.42% (2019: 10.42%)			
Cost - Rs 1,041.667 million (2019: Rs 1,041.667 million)	- note 18.1.4	1,452,837	1,433,213
Hyundai Nishat Motor (Private) Limited			
74,750,000 (2019: 55,000,000) fully paid ordinary shares of Rs 10 each			
Equity held: 10% (2019: 10%)			
Cost - Rs 747.5 million (2019: Rs 550 million)	- note 18.1.5	911,950	550,000
	sub-total	2,364,787	1,983,213
		11,756,373	12,146,480

18.1.1 Nishat Paper Products Company Limited is principally engaged in the manufacture and sale of paper products (packaging material). The registered office of the subsidiary is situated at 53-A, Nishat House, Lawrence Road, Lahore and the manufacturing facility is located at Khairpur, District Chakwal on the Company's land.

18.1.2 The Company reviewed the carrying amount of its investment in equity instruments of Nishat Paper Products Company Limited and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. As a result of carrying out the aforementioned assessment, the recoverable amount of the investment was determined to be higher than its carrying amount and therefore the cumulative impairment loss charged to date amounting to Rs 28.937 million has been reversed which has been recognised as an income and included in 'Other income'.

18.1.3 The principal activity of Nishat Dairy (Private) Limited is to carry on the business of production of raw milk. The registered office of the subsidiary is situated at 53-A, Nishat House, Lawrence Road, Lahore and its production facility and factory is situated at 1- KM Sukheki Road, Pindi Bhattian.

18.1.4 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of 'Nishat Emporium'. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs 13.95 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 43.3 to these financial statements. The fair value gain of Rs 19.624 million is included in the fair value gain recognised during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

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

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

- Discount rate of 8.74% per annum.
- Long term growth rate of 2% per annum for computation of terminal value.
- Annual growth in costs is linked to inflation at 5.60% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 4.50% to 10% per annum depending upon inflation and other factors.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 327.593 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 186.736 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 86.697 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 67.611 million lower.

18.1.5 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited ('HNMPL') that has setup up a greenfield project for assembly and sales of Hyundai Motor Company passenger and commercial vehicles. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs 12.20 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 43.3 to these financial statements. The fair value gain of Rs 164.45 million is included in the fair value gain recognised during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

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

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

- Discount rate of 14.87% per annum.
- Long term growth rate of 2% per annum for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 138.288 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 84.468 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 36.628 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 17.94 million higher.

		2020	2019
		(Rupees in thousand)	
18.2	**Others**		
	FVOCI - quoted:		
	Pakistan Petroleum Limited		
	821,626 (2019: 684,689) fully paid ordinary shares of Rs 10 each		
	Equity held: 0.03% (2019: 0.03%)		
	Cost - Rs 117.405 million (2019: Rs 117.405 million)	71,299	98,890
	United Bank Limited		
	214,354 (2019: 214,354) fully paid ordinary shares of Rs 10 each		
	Equity held: 0.02% (2019: 0.02%)		
	Cost - Rs 33.646 million (2019: Rs 33.646 million)	22,156	31,591
		93,455	130,481
18.3	**Reconciliation of carrying amount**		
	Balance as at beginning of the year	12,276,961	16,259,564
	Investments made during the year	197,500	464,586
		12,474,461	16,724,150
	Impairment loss on equity instruments of subsidiary - note 31	-	(162,789)
	Impairment loss reversed during the year on equity instruments of subsidiary - note 18.1.2	28,937	-
	Fair value loss recognized in other comprehensive income	(653,570)	(4,284,400)
	Balance as at end of the year	11,849,828	12,276,961

18.4 3,860,267 (2019: 3,860,267) shares of MCB Bank Limited are blocked in Central Depository Company ('CDC') account.

19. Long term loans to employees

These represent interest free loans given to employees for house building and purchase of motor vehicles and are recoverable in equal monthly instalments over a period of 24 to 96 months. The loans are secured against the employees' respective retirement benefits and are given as per Company's policy. These loans have not been carried at amortised cost as the effect of discounting is not considered material.

		2020	2019
		(Rupees in thousand)	
20. Stores, spare parts and loose tools			
Stores [including in transit: Rs 16.973 million (2019: Rs 5.563 million)]		2,469,974	4,565,609
Spare parts [including in transit Rs 277.493 million (2019: Rs 188.185 million)]		5,710,691	4,628,854
Loose tools		57,325	45,801
		8,237,990	9,240,264

20.1 Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable.

		2020	2019
		(Rupees in thousand)	
21. Stock-in-trade			
Raw materials		225,907	246,673
Packing material		353,699	236,287
Work-in-process	- notes 21.1 & 21.2	3,361,646	2,802,481
Finished goods		411,743	428,617
		4,352,995	3,714,058

21.1 Includes clinker costing Rs 263.423 million (2019: Nil) carried at its NRV amounting to Rs 237.15 million (2019: Nil). The NRV write down expense of Rs 26.272 million (2019: Nil) has been charged to cost of sales.

21.2 Includes clinker having a carrying value of Rs 3,329.582 million (2019: Rs 2,755.69 million), some of which may be sold in its current state but is not distinguishable.

		2020	2019
		(Rupees in thousand)	
22. Trade debts			
Secured		2,476,922	1,242,886
Unsecured - Related parties	- note 22.1	20,271	13,657
		2,497,193	1,256,543
Loss allowance	- note 22.2	(211,109)	(64,662)
		2,286,084	1,191,881

	2020	2019
	(Rupees in thousand)	

22.1 This is from the following related parties:

	2020	2019
Nishat Mills Limited	14,723	5,060
Nishat Linen (Private) Limited	167	265
Nishat Hotels and Properties Limited	1,154	2,780
Nishat Hospitality (Private) Limited	107	536
Nishat (Chunian) Limited	269	388
Nishat Dairy (Private) Limited	365	189
Nishat Power Limited	-	152
Hyundai Nishat Motor (Private) Limited	3,347	4,287
Nishat Agriculture Farming (Private) Limited	139	-
	20,271	13,657

22.1.1 The maximum aggregate amount outstanding at the end of any month during the year was Rs 32.983 million (2019: Rs 23.718 million). The aging analysis of trade debts from related parties that are past due and carry loss allowance is as follows:

	2020	2019
	(Rupees in thousand)	
Up to 90 days	16,210	13,445
91 to 180 days	2,958	212
181 to 365 days	916	-
Above 365 days	187	-
	20,271	13,657
Loss allowance	(1,826)	(142)
	18,445	13,515

22.2 Loss allowance

	2020	2019
The reconciliation of loss allowance is as follows:		
Balance at the beginning of the year	64,662	-
Effect of change in accounting policy due to adoption of IFRS 9	-	42,319
Balance as at beginning of the year under IFRS 9	64,662	42,319
Impairment loss during the year	146,447	22,343
Balance as at end of the year	211,109	64,662

23. This represents the following quoted investments in related parties:

FVOCI:	2020	2019
	(Rupees in thousand)	
Nishat (Chunian) Limited		
100,620 (2019: 100,620) fully paid ordinary shares of Rs 10 each		
Equity held: 0.042% (2019: 0.042%)		
Cost - Rs 0.832 million (2019: Rs 0.832 million)	3,265	3,524
MCB Bank Limited		
80,971,917 (2019: 80,971,917) fully paid ordinary shares of Rs 10 each		
Equity held: 6.83% (2019: 6.83%)		
Cost - Rs 478.234 million (2019: Rs 478.234 million)	13,123,123	14,125,551
	13,126,388	14,129,075

		2020	2019
		(Rupees in thousand)	

23.1 Reconciliation of carrying amount

		2020	2019
Opening balance		14,129,075	16,018,594
Fair value loss recognized in other comprehensive income		(1,002,687)	(1,889,519)
Closing balance		13,126,388	14,129,075

24. Loans, advances, deposits, prepayments and other receivables

		2020	2019
Current portion of loans to employees		1,132	1,290
Advances			
- To employees		12,546	20,625
- To suppliers		86,617	160,746
		99,163	181,371
Prepayments		3,340	21,070
Mark-up receivable from related party	- note 24.1	5,850	10,838
Letters of credit - margins, deposits, opening charges etc.		1,504	2,433
Balances with statutory authorities:			
- Sales tax	- notes 24.2 & 24.3	454,696	813,511
- Excise duty		21,850	19,551
- Export rebate		2,809	8,176
		479,355	841,238
Others	- note 24.4	22,822	6,129
		613,166	1,064,369

24.1 This represents mark-up receivable from Nishat Hotels and Properties Limited, a related party, on the loan referred to in note 25. The maximum aggregate amount outstanding at the end of any month during the year was Rs 14.326 million (2019: Rs 10.931 million). It is neither past due nor impaired.

24.2 Sales tax recoverable includes amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Company has filed appeals against the demands at different forums as referred to in note 16.

24.3 The vires of section 8(h) and (i) of the Sales Tax Act, 1990 (the "Act"), in the context of disallowance of adjustment of input tax on goods used for taxable services, was called in question by the Company. The honourable Lahore High Court vide its order dated January 29, 2020 on the basis of its reading of sections 7 and 8 of the Act, observed that input tax paid on goods can be deducted or reclaimed, only if such goods are used for the purpose of taxable supplies. Thus, in light of the said observation, the case was disposed of with a direction to the tax authorities to determine each and every case on its merits and allow adjustment of input tax on goods used for taxable supplies. Management is confident that the input tax already claimed shall not be disallowed by the relevant tax authorities.

24.4 Includes provident fund contribution deposited in advance with employees' provident fund amounting to Rs 14.577 million (2019: Nil) and a receivable of Rs 7.92 million (2019: Nil) from Hyundai Nishat Motor (Private) Limited, related party. The maximum aggregate amount deposited in advance with the employees' provident fund at the end of any month during the year was Rs 52.882 million (2019: Nil), whereas, the maximum aggregate amount outstanding at the end of any month during the year of Hyundai Nishat Motor (Private) Limited, related party, was Rs 7.92 million (2019: Nil). These amounts are neither past due nor impaired.

25. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party, for meeting its working capital requirements. The outstanding amount is due for repayment by October 27, 2020 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2019. It carried mark-up at the rate of 1 month KIBOR + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. The loan is secured through corporate guarantee of 110% of the loan amount issued by NHPL in favour of the Company. The effective mark-up rate charged during the period was 13.65% per annum which is above the borrowing cost of the Company. In case of default in payment of principal or mark-up, NHPL shall be liable to pay additional sum equivalent to 7.5% per annum of respective amount of default. Reconciliation of the carrying amount is as follows:

		2020	2019
		(Rupees in thousand)	
Opening balance		1,000,000	1,000,000
Recovery during the year		(235,000)	-
Closing balance		765,000	1,000,000

26. Cash and bank balances

		2020	2019
At banks:			
Savings accounts			
Local currency	- note 26.1 and 26.2 & 26.3	76,125	144,927
Foreign currency: US$ 638,856 (2019: US$ 832,288)		107,360	133,209
Current accounts		163,737	210,083
		347,222	488,219
In hand		612	699
		347,834	488,918

26.1 The balances in saving accounts bear mark-up ranging from 6.5% to 11.25% per annum (2019: 8% to 10.50% per annum).

26.2 Included in balances at banks on saving accounts are Rs 14.480 million (2019: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 13.4.

26.3 Included in balances at banks in saving accounts is Rs 34 million (2019: Nil) which relates to unpaid dividend held by the Company in compliance with section 244 of the Companies Act, 2017 referred to in note 15.

27. Sales

		2020	2019
		(Rupees in thousand)	
Local sales		48,648,453	52,689,419
Export sales	- note 27.1	9,385,261	5,262,964
		58,033,714	57,952,383
Less:			
Sales tax		8,545,392	8,958,822
Excise duty		10,708,220	8,026,605
Trade discount		570,316	-
Commission to stockists and export agents		176,662	450,431
		20,000,590	17,435,858
		38,033,124	40,516,525

27.1 Export sales include rebate on exports amounting to Rs 4.68 million (2019: Rs 8.41 million).

		2020	2019
		(Rupees in thousand)	

28. Cost of sales

		2020	2019
Raw and packing materials consumed		3,916,533	3,983,065
Salaries, wages and other benefits	- note 28.1	3,403,005	3,195,280
Fuel and power		20,882,712	21,672,454
Stores and spares consumed		2,956,285	3,385,135
Repairs and maintenance		403,630	453,410
Insurance		117,183	97,079
Depreciation on operating fixed assets	- note 17.1.3	3,604,695	3,421,965
Royalty	- note 28.2	1,228,600	748,261
Excise duty		52,593	48,855
Vehicle running		134,749	105,328
Postage, telephone and telegram		12,051	10,515
Printing and stationery		14,371	22,588
Legal and professional charges		8,704	7,697
Travelling and conveyance		11,618	18,895
Plant cleaning and gardening expenses		34,876	35,857
Rent, rates and taxes	- note 28.3	150,942	134,777
Freight charges		28,346	81,641
Water charges		21,492	124,438
Other expenses		57,464	93,968
		37,039,849	37,641,208
Opening work-in-process	- note 21	2,802,481	493,431
Closing work-in-process	- note 21	(3,361,646)	(2,802,481)
		(559,165)	(2,309,050)
Cost of goods manufactured		36,480,684	35,332,158
Opening stock of finished goods	- note 21	428,617	385,626
Closing stock of finished goods	- note 21	(411,743)	(428,617)
		16,874	(42,991)
Own consumption		(50,340)	(135,081)
		36,447,218	35,154,086

28.1 Salaries, wages and other benefits include Rs 76.830 million (2019: Rs 67.202 million), Rs 92.812 million (2019: Rs 62.238 million) and Rs 46.355 million (2019: Rs 66.694 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and accumulating compensated absences as detailed below.

	2020	2019
	(Rupees in thousand)	

28.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2020	2019
Gratuity		
Current service cost	62,244	52,409
Interest cost for the year	75,221	39,351
Interest income on plan assets	(44,653)	(29,522)
	92,812	62,238
Accumulating compensated absences		
Current service cost	41,454	37,806
Interest cost for the year	13,886	7,281
Remeasurements	(8,985)	21,607
	46,355	66,694

28.2 This represents royalty to Governments of Punjab and Balochistan for extraction of raw materials as per relevant laws.

28.3 This represents rentals of heavy machinery used at quarry site where raw materials i.e. clay and limestone, are extracted.

29. Administrative expenses

		2020	2019
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 29.1	343,779	341,858
Electricity, gas and water		28,134	24,393
Repairs and maintenance		8,179	4,184
Insurance		11,527	6,035
Depreciation on operating fixed assets	- note 17.1.3	78,502	69,485
Vehicle running		13,197	14,287
Postage, telephone and telegram		6,820	8,578
Printing and stationery		21,844	8,523
Legal and professional services	- note 29.2	22,331	24,287
Travelling and conveyance		42,890	41,050
Rent, rates and taxes		421	387
Entertainment		4,141	4,424
School expenses		38,057	34,589
Fee and subscription		29,724	27,665
Other expenses		9,328	18,772
		658,874	628,517

29.1 Salaries, wages and other benefits include Rs 10.725 million (2019: Rs 10.254 million), Rs 16.007 million (2019: Rs 11.442 million) and Rs 8.405 million (2019: Rs 12.269 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and accumulating compensated absences as detailed below.

29.1.1 Salaries, wages and other benefits

	2020	2019
	(Rupees in thousand)	
Salaries, wages and other benefits include the following in respect of retirement benefits:		
Gratuity		
Current service cost	10,735	9,635
Interest cost for the year	12,973	7,234
Interest income on plan assets	(7,701)	(5,427)
	16,007	11,442
Accumulating compensated absences		
Current service cost	7,516	6,955
Interest cost for the year	2,518	1,339
Remeasurements	(1,629)	3,975
	8,405	12,269

	2020	2019
	(Rupees in thousand)	

29.2 Legal and professional charges

	2020	2019
Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:		
Statutory audit	3,038	3,038
Half-yearly review	850	806
Tax services	3,920	3,489
Certifications required under various regulations	470	295
Out of pocket expenses	790	1,396
	9,068	9,024

30. Selling and distribution expenses

		2020	2019
Salaries, wages and other benefits	- note 30.1	212,963	187,007
Electricity, gas and water		2,740	2,912
Repairs and maintenance		1,437	737
Insurance		1,686	656
Depreciation on operating fixed assets	- note 17.1.3	7,903	8,617
Vehicle running		6,274	5,971
Postage, telephone and telegram		4,001	3,564
Printing and stationery		1,938	2,285
Rent, rates and taxes	- note 30.2	6,619	10,095
Travelling and conveyance		3,811	4,758
Entertainment		1,522	1,814
Advertisement and sales promotion		13,896	58,790
Freight and handling charges		1,495,298	998,830
Other expenses		23,334	19,659
		1,783,422	1,305,695

30.1 Salaries, wages and other benefits include Rs 8.861 million (2019: Rs 7.498 million), Rs 9.85 million (2019: Rs 6.447 million) and Rs 4.901 million (2019: Rs 6.936 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and accumulating compensated absences as detailed below.

	2020	2019
	(Rupees in thousand)	

30.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2020	2019
Gratuity		
Current service cost	6,606	5,429
Interest cost for the year	7,983	4,075
Interest income on plan assets	(4,739)	(3,057)
	9,850	6,447
Accumulating compensated absences		
Current service cost	4,383	3,932
Interest cost for the year	1,468	757
Remeasurements	(950)	2,247
	4,901	6,936

30.2 This includes lease rentals of Rs 5.636 million (2019: Rs 6.098 million).

		2020	2019
		(Rupees in thousand)	

31. Other expenses

		2020	2019
Workers' profit participation fund	- note 11.3	-	104,781
Donations	- note 31.1	2,410	101,254
Exchange loss	- note 31.2	492,143	169,316
Loss on disposal of operating fixed assets	- note 17.1.4	35,075	-
Impairment on investment in subsidiary		-	162,789
Others		12	67
		529,640	538,207

31.1 Includes donation amounting to Rs 1.5 million made to Pakistan Agricultural Coalition. None of the directors or their spouses have any interest in the donee.

31.2 Includes exchange loss incurred on foreign currency short term borrowings amounting to Rs 481.55 million (2019: Rs 140.207 million).

32. Other income

		2020	2019
		(Rupees in thousand)	
Income on bank deposits		3,713	9,378
Mark-up on loan to related party	- note 32.1	112,322	102,833
Dividend income from:			
- Related parties	- note 32.2	2,050,029	1,888,394
- Others		3,942	3,144
		2,053,971	1,891,538
Rental income		1,522	1,466
Reversal of impairment on investment in subsidiary	- note 18.1.2	28,937	-
Gain on disposal of operating fixed assets		-	18,518
Scrap sales		229,018	233,047
Provisions and unclaimed balances written back		-	148,359
Others		92	22,127
		2,429,575	2,427,266

32.1 This is from Nishat Hotels and Properties Limited, a related party, on the loan as referred to in note 25.

32.2 Dividend income from related parties

	2020	2019
	(Rupees in thousand)	
Nishat Mills Limited	121,158	143,875
Adamjee Insurance Company Limited	69,694	68,073
MCB Bank Limited	1,840,990	1,636,436
Nishat (Chunian) Limited	18,187	40,010
	2,050,029	1,888,394

33. Finance cost

		2020	2019
Interest and mark-up on:			
- Long term loans - secured		2,656,273	2,014,012
- Short term borrowings - secured		1,969,078	1,258,370
- Workers profit participation fund	- note 11.3	8,520	-
Guarantee commission		-	11,283
Bank charges		19,415	20,437
		4,653,286	3,304,102

		2020	2019
		(Rupees in thousand)	

34. Taxation

		2020	2019
Current:			
- For the year		-	-
- Prior years'		-	13,141
		-	13,141
Deferred	- note 10	(1,597,527)	367,941
		(1,597,527)	381,082

	2020	2019
	%	%

34.1 Tax charge reconciliation

	2020	2019
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate as per Income Tax Ordinance, 2001	29.00	29.00
Tax effect of:		
- Amounts that are not deductible for tax purposes - net	(0.28)	3.21
- Change in prior years' tax	6.84	(54.69)
- Amounts that are allowable as tax credit	-	(8.55)
- Change in tax rate	-	60.42
- Amounts allocated to Normal Tax Regime	1.63	(4.14)
- Income chargeable under Final Tax Regime	5.34	(6.11)
	13.53	(9.86)
Average effective tax rate	42.53	19.14

34.2 A listed company that derives profit for a tax year but does not distribute at least 20% of its after tax profits within six months of the end of the said tax year through cash, shall be liable to pay tax at the rate of 5% of its accounting profit before tax. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires. The Company has distributed cash dividends in excess of 20% of its after tax profits for the tax year 2019.

	2020	2019
	%	%

35. Earnings per share

35.1 Earnings per share - Basic

		2020	2019
(Loss) / profit for the year	**Rupees**	(2,158,661,000)	1,609,759,000
Weighted average number of ordinary shares	**Number**	438,119,118	438,119,118
(Loss) / earnings per share - basic	**Rupees**	(4.93)	3.67

35.2 Earnings per share - Diluted

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2020, and June 30, 2019, which would have any effect on the earnings per share if the option to convert is exercised.

36. Remuneration of Chief Executive, Directors and Executives

36.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, directors and executives of the Company are as follows:

	(Rupees in thousand)					
	Chief Executive		**Executive Director**		**Executives**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Short term employee benefits						
Managerial remuneration	25,898	23,544	19,380	17,256	480,549	433,338
Housing	270	270	335	335	166,534	145,849
Utilities	14,991	7,496	1,220	206	34,236	28,940
Leave passage	-	-	2,261	959	14,874	11,450
Bonus	2,158	4,455	1,615	1,307	75,765	93,628
Medical expenses	536	589	501	463	14,241	13,360
Others	16,996	15,426	710	981	121,682	112,133
Post employment benefits						
Contributions to Provident and Gratuity Fund	-	-	3,553	3,164	70,112	60,329
	60,849	51,780	29,575	24,671	977,993	899,027
Number of persons	1	1	1	1	192	171

36.2 The Company also provides the Chief Executive, certain directors and executives with Company maintained cars, travelling and utilities. Certain executives are provided with housing facilities.

36.3 During the year, the Company paid meeting fee amounting to Rs 990,000 (2019: Rs 750,000) to its non-executive directors. The number of non-executive directors is 5 (2019: 5).

		2020	2019
		(Rupees in thousand)	

37. Cash generated from operations

		2020	2019
(Loss)/profit before tax		(3,756,188)	1,990,841
Adjustments for:			
- Depreciation on operating fixed assets		3,691,100	3,500,067
- Loss/(gain) on disposal of operating fixed assets		35,075	(18,518)
- Dividend income		(2,053,971)	(1,891,538)
- Mark-up income		(112,322)	(102,833)
- Provision for retirement benefits		178,330	166,026
- Net realizable value written-down expense		26,272	-
- Exchange loss		492,143	169,316
- Impairment loss on investment in subsidiary		-	162,789
- Reversal of impairment loss on investment in subsidiary	- note 18.1.2	(28,937)	-
- Impairment loss on trade debts		146,447	22,343
- Finance cost		4,653,286	3,304,102
Profit before working capital changes		3,271,235	7,302,595
Effect on cash flows due to working capital changes:			
- Decrease/(increase) in stores, spares and loose tools		1,002,274	(4,126,037)
- Increase in stock-in-trade		(665,209)	(2,336,462)
- Increase in trade debts		(1,234,498)	(980,671)
- Decrease in loans, advances, deposits, prepayments and other receivables		446,215	1,578,207
- Increase in trade and other payables		3,242,282	359,892
		2,791,064	(5,505,071)
		6,062,299	1,797,524

38. Cash and cash equivalents

		2020	2019
Cash and bank balances	- note 26	347,834	488,918
Short term borrowings - secured	- note 13	(23,495,967)	(20,258,570)
		(23,148,133)	(19,769,652)

39. Transactions with related parties

The related parties include the subsidiaries, the Investor, related parties on the basis of common directorship, group companies, key management personnel and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these unconsolidated financial statements other than the following:

Relationship with the Company	Nature of transactions	2020	2019
		(Rupees in thousand)	
i. Subsidiary companies	Purchase of goods	2,443,782	2,418,437
	Sales of goods and services	31,573	26,543
	Rental income	929	929
ii. Investor	Sale of goods	38,629	53,519
	Dividend paid	137,574	496,987
	Purchase of goods and services	493	-
iii. Other related parties	Sale of goods	44,895	135,267
	Insurance premium	141,867	105,615
	Purchase of goods and services	119,646	43,564
	Insurance claims received	35	8,944
	Dividend paid	9,478	35,696
iv. Key management personnel	Remuneration - note 39.1	241,244	255,680
	Dividend paid	39,941	169,750

39.1 This represents remuneration of the Chief Executive, executive director and certain executives that are included in the remuneration disclosed in note 36 to these financial statements.

39.2 The related parties with whom the Company had entered into transactions or had arrangements/agreements in place during the year have been disclosed below along with their basis of relationship:

Name	Relationship	%age of shareholding in the Company
Adamjee Insurance Company Limited	Group company	0.77%
Hyundai Nishat Motor (Private) Limited	Common directorship	N/A
Lalpir Power Limited	Common directorship	N/A
MCB Bank Limited	Group company	0%
Nishat (Chunian) Limited	Common directorship	N/A
Nishat Agriculture Farming (Private) Limited	Common directorship	N/A
Nishat Dairy (Private) Limited	Subsidiary	N/A
Nishat Developers (Private) Limited	Common directorship	N/A
Nishat Hospitality (Private) Limited	Subsidiary of Investor	N/A
Nishat Hotels and Properties Limited	Common directorship	N/A
Nishat Linen (Private) Limited	Subsidiary of Investor	N/A
Nishat Mills Limited	Investor	31.40%
Nishat Paper Products Company Limited	Subsidiary	N/A
Nishat Power Limited	Subsidiary of Investor	N/A
Pakgen Power Limited	Group company	N/A
Pakistan Aviators & Aviation (Private) Limited	Group company	N/A
Security General Insurance Company Limited	Group company	N/A
Mrs. Naz Mansha	Director/Chairperson	0.03%
Mr. Mahmood Akhtar	Director	N/A
Mr. Shahzad Ahmad Malik	Director	N/A
Mr. Khalid Niaz Khawaja	Director	N/A
Mr. Usama Mahmud	Director	N/A
Mr. Mian Raza Mansha	Director/Chief Executive	2.92%
Mr. Farid Noor Ali Fazal	Director	N/A
Mrs. Ammil Raza Mansha	Spouse of Chief Executive	1.34%
Mr. Mian Umer Mansha	Close family member of Chief executive and a Director	6.29%
Mr. Arif Bashir	Key Management Personnel	N/A
Mr. Aftab Ahmad Khan	Key Management Personnel	N/A
Mr. Inayat Ullah Niazi	Key Management Personnel	0.00%
Company's Employees Gratuity Fund	Post Employment Benefit Plan	N/A
Company's Employees Provident Fund	Post Employment Benefit Plan	0.02%

40. Plant capacity and actual production

		Capacity		Actual production	
		2020	2019	2020	2019
Clinker (Metric Tonnes)					
Plant I & II - D.G. Khan	- note 40.1	2,010,000	2,010,000	1,898,897	1,935,296
Plant III - Khairpur	- note 40.1	2,010,000	2,010,000	2,042,177	1,962,150
Plant IV - Hub	- note 40.1	2,700,000	2,700,000	2,900,890	2,483,452
Cement (Metric Tonnes)					
Plant I & II - D.G. Khan	- note 40.2	2,115,790	2,115,790	2,121,389	1,908,921
Plant III - Khairpur	- note 40.2	2,115,789	2,115,789	2,127,003	2,128,277
Plant IV - Hub	- note 40.2	2,842,105	2,842,105	1,262,033	1,576,452

40.1 Normal capacity is based on 300 working days, that can be exceeded if the plant is operational for more than 300 days during the year.

40.2 Normal capacity is based on 300 working days, that can be exceeded if the plant is operational for more than 300 days during the year. Actual production is less than the installed capacity due to planned maintenance shutdown and gap between market demand and supply of cement.

41. Number of employees

	2020	2019
Total number of employees as at June 30	1,845	1,802
Average number of employees during the year	1,824	1,716

42. Provident fund related disclosures

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder except for:

- Total investment at the time of making investment in listed equity securities and equity collective investment schemes, registered as notified entity with the SECP under Non-Banking Finance Companies and Notified Entities Regulations, 2008, exceed 30% of the size of the fund;

- Some of the investment made in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities are not assigned a minimum rating of “A” by a credit rating company licensed with the SECP and with at least a stable outlook;

- Investment has been made in certain equity securities of listed companies which have paid average dividend of less than 15% to the shareholders during two out of the preceding three consecutive years and in which the minimum free float is less than 15% or Rs 50 million shares, whichever is higher;

- Investment is made in equity securities of listed companies, where such companies do not have breakup value equivalent or more than the par value of the shares of such company;

- The fund has aggregate investment in listed equity securities, other than equity collective investment schemes in excess of Rs 50 million but has not appointed or sought advice from an investment advisor holding a valid license from the SECP for providing investment advisory services; and

- Investment has been made in a listed debt security where the issuer of the security has defaulted in its financial obligations.

The fund has not developed and maintained appropriate investment policies explaining investment limit, investment avenues and risk appetite including but not limited to business allocation among the securities brokers.

However, as per S.R.O. 856(I)/2019 dated July 25, 2019, a transition period of three years from the date of the said S.R.O. has been granted to bring all the investments of the fund in conformity with the provisions of the above regulations. The above analysis is based on the unaudited financial statements of the provident fund for the year ended June 30, 2020.

43. Financial risk management

43.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Board of Directors ('the Board'). The Company's finance department evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from cash and bank balances, short term borrowings, receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, amounts receivable from foreign entities and short term borrowings.

	2020	2019
	(USD in thousand)	
Cash and bank balances	639	832
Trade receivables from foreign parties	5,238	544
Short term borrowings	(9,541)	(5,114)
Net liability exposure	(3,664)	(3,738)

At June 30, 2020, if the Rupee had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax loss for the year would have been Rs 43.704 million higher/lower (2019: Rs 42.464 million lower/higher) mainly as a result of foreign exchange gains/losses on translation of USD - denominated financial assets and liabilities.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of investments held by the Company and classified as fair value through other comprehensive income. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's certain investments in equity instruments are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarises the impact of increases/decreases of the KSE-100 index on the Company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the Company's equity investments moved according to the historical correlation with the index:

	Impact on pre-tax profit		Impact on other components of equity	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
Pakistan Stock Exchange Limited	-	-	1,433,597	1,781,495

As at June 30, 2020, the Company had no investments classified as at fair value through profit or loss.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from loan to related party, short term and long-term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2020	2019
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	183,485	278,136
Financial liabilities		
Export finances	(3,883,500)	(1,290,000)
Net exposure	(3,700,015)	(1,011,864)
Floating rate instruments:		
Financial assets		
Loan to related party	765,000	1,000,000
Financial liabilities		
Long term finances	(23,982,621)	(21,025,324)
Short term borrowings	(19,612,467)	(18,968,570)
	(43,595,088)	(39,993,894)
Net exposure	(42,830,088)	(38,993,894)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2020, if interest rates on variable rate instruments had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been Rs 304.094 million (2019: Rs 276.857 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate instruments.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk of the Company arises from deposits with banks and other financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020	2019
	(Rupees in thousand)	
Long term loans and deposits	57,984	60,970
Loan to related party	765,000	1,000,000
Trade debts	2,286,084	1,191,881
Loans, advances, deposits and other receivables	15,227	18,257
Balances with banks	347,222	488,219
	3,471,517	2,759,327

(ii) Impairment of financial assets

The Company's financial assets, other than investments in equity instruments, are subject to the expected credit losses model. While bank balances, loans to employees, loan to related party, deposits and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade debts

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained from these customers to calculate the net exposure towards these customers. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before June 30, 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product and the Consumer Price Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2020 and June 30, 2019 was determined as follows:

June 30, 2020	Local sales			Export sales		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Up to 30 days	1.36%	677,390	9,194	0%	797,661	-
31 to 60 days	3.44%	198,992	6,847	0%	-	-
61 to 90 days	7.31%	175,909	12,858	0%	-	-
91 to 120 days	16.17%	130,985	21,181	0%	-	-
121 to 150 days	25.18%	101,068	25,452	0%	-	-
151 to 180 days	32.45%	86,813	28,174	0%	8	-
181 to 210 days	44.63%	15,613	6,968	0%	-	-
211 to 240 days	56.31%	1,966	1,107	0%	-	-
241 to 270 days	66.41%	1,152	765	0%	-	-
271 to 300 days	74.43%	2,663	1,982	0%	-	-
301 to 330 days	85.00%	1,027	873	0%	-	-
331 to 360 days	93.17%	2,783	2,593	0%	-	-
Above 360 days	100.00%	10,488	10,488	100%	82,627	82,627
		1,406,849	**128,482**		**880,296**	**82,627**
Trade debts against which collateral is held		210,048	-		-	-
Gross Trade debts		**1,616,897**	**128,482**		**880,296**	**82,627**

June 30, 2019	Local sales			Export sales		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Net trade debts*						
Up to 90 days	1.52%	1,030,560	15,689	1.12%	24,356	273
91 to 180 days	6.77%	44,171	2,990	19.42%	28,556	5,547
181 to 270 days	22.42%	14,518	3,255	25.64%	4,969	1,274
270 to 365 days	64.61%	1,054	681	50.00%	18	9
365 days or more	100.00%	5,702	5,702	100.00%	29,242	29,242
		1,096,005	**28,317**		**87,141**	**36,345**
Trade debts against which collateral is held		73,397	-		-	-
Gross trade debts		**1,169,402**	**28,317**		**87,141**	**36,345**

* This represents amounts net of trade debts against which security deposits and inland letters of credit, considered as collateral, are held amounting to Rs 169.048 million (2019: Rs 73.4 million) and Rs 41 million (2019: Nil), respectively.

The amount of loss allowance that best represents maximum exposure to credit risk at the end of the reporting period without taking into account any collateral is Rs 300.33 million (2019: Rs 71.693 million).

Default is triggered when more than 360 days have passed. The names of defaulting parties of outstanding trade debts from export sales and their respective default amount is as follows:

	2020	2019
	(Rupees in thousand)	
Nobel Translink Private Limited	20,086	4,480
Chempex Industries	3,937	3,748
Hizbullah & Saeed Ullah House Limited	393	374
Vikrant Traders	51,085	20,352
A A Middle East FZE	107	102
Taruna Trading Company	4,271	158
Sai Enterprises	305	-
Square Corporation	1,150	-
Société Kalfane Fils	190	-
Bulkcor	1,046	-
Others	57	28
	82,627	29,242

(iii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired (mainly bank balances) can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Rating Long term	Rating Agency	2020	2019
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	221,234	321,424
BankIslami Pakistan Limited	A1	A+	PACRA	2,167	1,146
The Bank of Punjab	A1+	AA	PACRA	245	414
The Bank of Khyber	A1	A	PACRA	265	530
Citibank N.A.	P-1	AA3	Moody's	12	12
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	2,685	596
MCB Bank Limited	A1+	AAA	PACRA	62,382	133,272
Habib Bank Limited	A-1+	AAA	JCR-VIS	0.01	-
Meezan Bank Limited	A-1+	AA+	JCR-VIS	14	13
National Bank of Pakistan	A1+	AAA	PACRA	3,229	1,144
Silk Bank Limited	A-2	A-	JCR-VIS	5	5
Soneri Bank Limited	A1+	AA-	PACRA	6,551	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	121	564
United Bank Limited	A-1+	AAA	JCR-VIS	33,155	14,572
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	27	27
Faysal Bank Limited	A1+	AA	PACRA	662	5
JS Bank Limited	A1+	AA-	PACRA	12	12
				332,766	473,736

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines. At June 30, 2020, the Company had Rs 26,438 million available borrowing limits from financial institutions under mark up arrangements, Rs 13,500 million available borrowing limits from financial institutions under import finance facilities and Rs 347.834 million in cash and bank balances.

Management monitors the forecasts of the Company's cash and cash equivalents (note 38 to these financial statements) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	(Rupees in thousand)					
July 01, 2020	**Less than 1 year**	**Between 1 and 2 years**	**2 to 5 years**	**Over 5 years**	**Total contractual cashflows**	**Carrying value**
Long term finances	2,010,621	5,761,324	14,883,761	1,326,915	23,982,621	23,982,621
Trade and other payables	7,346,221	-	-	-	7,346,221	7,346,221
Long term deposits	20,975	93,957	6,932	132,073	253,937	253,937
Accrued mark-up	712,275	-	-	-	712,275	712,275
Short term borrowings						
- secured	23,495,967	-	-	-	23,495,967	23,495,967
	33,586,059	5,855,281	14,890,693	1,458,988	55,791,021	55,791,021

	(Rupees in thousand)					
July 01, 2019	**Less than 1 year**	**Between 1 and 2 years**	**2 to 5 years**	**Over 5 years**	**Total contractual cashflows**	**Carrying value**
Long term finances	5,040,294	9,304,366	6,680,664	-	21,025,324	21,025,324
Trade and other payables	7,144,896	-	-	-	7,144,896	7,144,896
Long term deposits	89,556	6,608	6,608	139,271	242,043	242,043
Accrued mark-up	809,569	-	-	-	809,569	809,569
Short term borrowings						
- secured	20,258,570	-	-	-	20,258,570	20,258,570
	33,342,885	9,310,974	6,687,272	139,271	49,480,402	49,480,402

43.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the statement of financial position). Net debt is calculated as total borrowings (including current and non-current borrowings) including bank overdraft less cash and bank balances and liquid investments.

The gearing ratios as at June 30, 2020 and 2019 were as follows:

		2020	2019
		(Rupees in thousand)	
Borrowings - notes 7 and 13		47,478,588	41,283,894
Less: Cash and bank balances - note 26		347,834	488,918
Net debt		47,130,754	40,794,976
Total equity		66,644,157	70,928,415
Gearing ratio	**Percentage**	71%	58%

In accordance with the terms of agreements with the lenders of long term finances (as referred to in note 7 to these financial statements), the Company is required to comply with certain financial covenants. The Company has complied with these covenants throughout the reporting period except for certain covenants in respect of which the lenders have not raised any objection to the Company.

43.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value:

As at June 30, 2020	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investments - FVOCI	20,191,507	-	2,364,787	22,556,294
Total assets	20,191,507	-	2,364,787	22,556,294
Total liabilities	-	-	-	-
As at June 30, 2019				
Recurring fair value measurements				
Assets				
Investments - FVOCI	22,031,838	-	1,983,213	24,015,051
	22,031,838	-	1,983,213	24,015,051
Total liabilities	-	-	-	-

Movement in the above mentioned assets has been disclosed in notes 18 and 23 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the year. Since the ordinary shares of Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited are not listed, an investment advisor engaged by the Company has estimated fair values of Rs 13.95 and Rs 12.20 per ordinary share, respectively, as at June 30, 2020, through a valuation technique based on discounted cash flow analysis. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair values for the remaining financial instruments. An appropriate discount for lack of control and lack of marketability is also applied, where relevant.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

43.4 Financial instruments by categories

	At fair value through other comprehensive income	At amortised cost	Total
		(Rupees in thousand)	
As at June 30, 2020			
Assets as per statement of financial position			
Long term loans and deposits	-	57,984	57,984
Trade debts	-	2,286,084	2,286,084
Loans, advances, deposits and other receivables	-	15,227	15,227
Loan to related party	-	765,000	765,000
Investments	22,556,294	-	22,556,294
Cash and bank balances	-	347,834	347,834
	22,556,294	3,472,129	26,028,423

	At fair value through other comprehensive income	At amortised cost	Total
		(Rupees in thousand)	
As at June 30, 2019			
Assets as per statement of financial position			
Long term loans and deposits	-	60,970	60,970
Trade debts	-	1,191,881	1,191,881
Loans, advances, deposits and other receivables	-	18,257	18,257
Loan to related party	-	1,000,000	1,000,000
Investments	24,015,051	-	24,015,051
Cash and bank balances	-	488,918	488,918
	24,015,051	2,760,026	26,775,077

	Financial liabilities at amortized cost	
	2020	2019
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term finances - secured	23,982,621	21,025,324
Long term deposits	253,937	242,043
Accrued mark-up	712,275	809,569
Trade and other payables	7,346,221	7,144,896
Short term borrowings - secured	23,495,967	20,258,570
	55,791,021	49,480,402

43.5 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

44. Impact of COVID-19 (Corona virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID–19. The Company's Khairpur and D.G. Khan Plants were shut down on March 26, 2020. Normal production at Khairpur and D.G. Khan Plants resumed on April 17, 2020 and April 6, 2020 respectively after the Government of Punjab opened the construction sector. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these unconsolidated financial statements.

45. Date of authorisation for issue

These financial statements were authorised for issue on September 17, 2020 by the Board of Directors of the Company.

46. Event after the reporting period

The Board of Directors have proposed no dividend for the year ended June 30, 2020 at their meeting held on September 17, 2020 for approval of the members at the Annual General Meeting to be held on 28 October, 2020.

47. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. However, no significant re-arrangement has been made.

Chief Executive	Chief Financial Officer	Director

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of D. G. Khan Cement Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Investments measured at fair value** *(Refer notes 20.1.1 and 20.1.2 to the annexed consolidated financial statements)* The Group holds investments in equity instruments of Nishat Hotels and Properties Limited ('NHPL') and Hyundai Nishat Motor (Private) Limited ('HNMPL').	Our audit procedures included the following: - Understood and evaluated the process by which the cash flow forecasts were prepared and approved, including confirming the mathematical accuracy of the underlying calculations; - Evaluated the cash flow forecasts by obtaining an understanding of respective businesses of NHPL

Sr. No.	Key audit matters	How the matters were addressed in our audit
	Due to NHPL and HNMPL being non-listed companies, their shares do not have a quoted price in an active market. Therefore, fair values of their shares have been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flows of respective businesses and related discount rates. Management involved an expert to perform these valuations on its behalf. Due to the significant level of judgment and estimation required to determine the fair value of the investments, we consider it to be a key audit matter.	and HNMPL; - Obtained an understanding of the work performed by the management's expert on the models for the purpose of valuations; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Obtained corroborating evidence relating to the values as determined by the management's expert by challenging key assumptions for the growth rates in the cash flow forecasts by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; - Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the values of the investments; and - Assessed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.
2.	**Deferred taxation** *(Refer note 10 to the annexed consolidated financial statements)* The Group has recognized deferred tax in respect of unused tax credits and unused tax losses. Deferred tax assets on such items have been recognized as it is probable that sufficient taxable profits will be available in future, before their expiry, for their utilization on the basis of the Cement segment's approved business plan. Due to the significant level of judgement and estimation required in preparing the business plan for determining recoverability of deferred tax assets and the significance of the amounts involved, we consider it to be a key audit matter.	Our audit procedures included the following: - Obtained an understanding of the Group's process of preparing the deferred tax working and tested internal controls over management's valuation of deferred tax assets; - Obtained an understanding regarding the relevant tax laws with respect to availability of tax credits and unused tax losses; - Recalculated the amount of tax credits and unused tax losses in accordance with the provisions of Income Tax Ordinance, 2001; - Involved internal tax specialists to check the income tax computation for the year and assessed the management's conclusion on carry forward of the tax credits and unused tax losses; - Obtained the Cement segment's approved business plan and evaluated the management's assumptions used in the preparation of business plan; - Assessed the reasonableness of computation of taxable income derived from the Cement segment's

Sr. No.	Key audit matters	How the matters were addressed in our audit
		approved business plan; - Checked the management's analysis regarding the timing of utilization of unused tax credits and unused tax losses by considering the year wise utilization of such amounts and evaluated the selection of the expected tax rate in this regard; and - Assessed the appropriateness of accounting policy in respect of recognition of deferred tax assets on unused tax credits and unused tax losses and the adequacy of the disclosures made by the Group in this area with regard to the applicable accounting and reporting standards.

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

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

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

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

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

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

AFerguson + Co

A.F. Ferguson & Co.
Chartered Accountants

Lahore,
Date: September 17, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020	2019
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
950,000,000 (2019: 950,000,000)			
ordinary shares of Rs 10 each		9,500,000	9,500,000
50,000,000 (2019: 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 (2019: 438,119,118)			
ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Other reserves	6	27,171,663	28,873,607
Revenue reserve: Un-appropriated profits		35,104,580	37,744,493
Attributable to owners of the parent company		66,657,434	70,999,291
Non-controlling interests	47.2	2,016,356	2,039,554
Total equity		68,673,790	73,038,845
NON-CURRENT LIABILITIES			
Long term finances - secured	7	22,679,206	16,659,474
Long term deposits	8	253,937	242,043
Deferred liabilities	9	521,834	449,194
Deferred taxation	10	2,723,382	4,339,696
		26,178,359	21,690,407
CURRENT LIABILITIES			
Trade and other payables	11	11,434,927	8,490,742
Accrued markup	12	803,423	890,864
Short term borrowings - secured	13	25,849,525	22,851,016
Loans from related parties - unsecured	14	214,000	214,000
Current portion of non-current liabilities	15	2,087,764	5,256,067
Unclaimed dividend	16	33,837	33,438
Provision for taxation		35,090	35,090
		40,458,566	37,771,217
CONTINGENCIES AND COMMITMENTS	17		
		135,310,715	132,500,469

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive

AS AT JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	87,174,260	83,836,836
Biological assets	19	881,340	827,488
Investments	20	9,573,740	10,029,807
Long term loans to employees	21	5,096	237
Long term deposits		57,908	60,733
		97,692,344	94,755,101
CURRENT ASSETS			
Stores, spares and loose tools	22	8,461,802	9,439,674
Stock-in-trade	23	5,495,625	5,486,062
Trade debts	24	3,042,990	1,678,379
Contract assets	25	120,019	164,021
Investments	26	13,126,408	14,129,099
Loans, advances, deposits, prepayments and other receivables	27	893,574	1,583,335
Loan to related party	28	765,000	1,000,000
Income tax recoverable		5,024,962	3,481,548
Cash and bank balances	29	687,991	783,250
		37,618,371	37,745,368
		135,310,715	132,500,469

Chief Financial Officer

Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the Year Ended June 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Sales	30	41,592,686	43,627,007
Cost of sales	31	(39,626,910)	(37,952,807)
Gross profit		1,965,776	5,674,200
Administrative expenses	32	(741,877)	(711,122)
Selling and distribution expenses	33	(1,786,905)	(1,330,984)
Net impairment losses on financial assets	24.2	(158,730)	(22,343)
Changes in fair value of biological assets	19	305,256	335,739
Other expenses	34	(710,899)	(530,452)
Other income	35	2,433,728	2,474,759
Finance cost	36	(5,111,350)	(3,609,744)
(Loss)/profit before taxation		(3,805,001)	2,280,053
Taxation	37	1,575,816	(415,170)
(Loss)/profit for the year		(2,229,185)	1,864,883
(Loss)/profit is attributable to:			
Owners of the parent company		(2,210,610)	1,823,373
Non-controlling interests		(18,575)	41,510
		(2,229,185)	1,864,883
(Loss)/earnings per share - basic and diluted in Rupees	38	(5.05)	4.16

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive	Chief Financial Officer	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2020

	2020	2019
	(Rupees in thousand)	
(Loss)/profit for the year	(2,229,185)	1,864,883
Other comprehensive loss for the year - net of tax		
Items that may be reclassified subsequently to profit or loss:	-	-
Items that will not be subsequently reclassified to profit or loss:		
Change in fair value of investments at fair value through other comprehensive income (OCI)	(1,666,531)	(6,192,231)
Tax effect of change in fair value of investments at fair value through OCI	(40,036)	335,246
Remeasurement of retirement benefits	11,964	(98,738)
Tax effect of remeasurement of retirement benefits	(3,148)	25,978
	(1,697,751)	(5,929,745)
Other comprehensive loss for the year	(1,697,751)	(5,929,745)
Total comprehensive loss for the year	(3,926,936)	(4,064,862)
Total comprehensive (loss)/income is attributable to:		
Owners of the parent company	(3,903,738)	(4,098,132)
Non-controlling interests	(23,198)	33,270
	(3,926,936)	(4,064,862)

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

Director

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	39	6,859,344	1,103,851
Finance cost paid		(5,200,549)	(3,088,908)
Retirement and other benefits paid		(95,663)	(80,495)
Income tax paid		(1,627,096)	(1,780,733)
Income tax refunded		-	1,000,000
Long term loans, advances and deposits - net		9,860	132,094
Net cash outflow from operating activities		(54,104)	(2,714,191)
Cash flows from investing activities			
Payments for property, plant and equipment		(7,396,987)	(7,072,051)
Proceeds from disposal of operating fixed assets		82,044	74,132
Proceeds from sale of biological assets		119,619	63,033
Investment in equity instruments		(207,776)	(472,968)
Recovery of loan given to related party		235,000	-
Interest income received		115,486	97,833
Dividends received		2,069,435	1,904,330
Net cash outflow from investing activities		(4,983,179)	(5,405,691)
Cash flows from financing activities			
Proceeds from long term finances	7	6,278,293	3,850,000
Repayment of long term finances	7	(3,424,927)	(2,642,647)
Dividends paid to owners of the parent company	16	(437,720)	(1,856,922)
Net cash inflow/(outflow) from financing activities		2,415,646	(649,569)
Net decrease in cash and cash equivalents		(2,621,637)	(8,769,451)
Cash and cash equivalents at the beginning of the year		(22,067,766)	(13,115,969)
Effect of exchange rate changes on cash and cash equivalents		(472,131)	(182,346)
Cash and cash equivalents at the end of the year	40	(25,161,534)	(22,067,766)

Refer notes 7 and 16 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive | Chief Financial Officer | Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended June 30, 2020

	Share Capital	Capital Reserve: Share premium	Capital Reserve: FVOCI reserve	Capital Reserve: Capital redemption reserve fund	Revenue Reserve: General reserve	Revenue Reserve: Un-appropriated Profits	Total equity attributable to owners of parent company	Non-Controlling Interest	Total equity
	Rupees in thousand								
Balance as on July 1, 2018	4,381,191	4,557,163	24,700,828	353,510	5,110,851	37,855,893	76,959,436	2,006,284	78,965,720
Total comprehensive (loss)/income for the year									
- Profit for the year	-	-	-	-	-	1,823,373	1,823,373	41,510	1,864,883
- Other comprehensive loss for the year:									
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(5,848,745)	-	-	-	(5,848,745)	(8,240)	(5,856,985)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(72,760)	(72,760)	-	(72,760)
	-	-	(5,848,745)	-	-	1,750,613	(4,098,132)	33,270	(4,064,862)
Transactions with owners in their capacity as owners recognised directly in equity									
Final dividend for the year ended June 30, 2018 (Rs 4.25 per share)	-	-	-	-	-	(1,862,013)	(1,862,013)	-	(1,862,013)
Balance as on June 30, 2019	4,381,191	4,557,163	18,852,083	353,510	5,110,851	37,744,493	70,999,291	2,039,554	73,038,845
Total comprehensive loss for the year									
- Loss for the year	-	-	-	-	-	(2,210,610)	(2,210,610)	(18,575)	(2,229,185)
- Other comprehensive loss for the year:									
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(1,701,944)	-	-	-	(1,701,944)	(4,623)	(1,706,567)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	8,816	8,816	-	8,816
	-	-	(1,701,944)	-	-	(2,201,794)	(3,903,738)	(23,198)	(3,926,936)
Transactions with owners in their capacity as owners recognised directly in equity									
Final dividend for the year ended June 30, 2019 (Rupee 1 per share)	-	-	-	-	-	(438,119)	(438,119)	-	(438,119)
Balance as on June 30, 2020	4,381,191	4,557,163	17,150,139	353,510	5,110,851	35,104,580	66,657,434	2,016,356	68,673,790

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

Director

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; and
- Nishat Dairy (Private) Limited.

D. G. Khan Cement Company Limited is a public company limited by shares, incorporated in Pakistan in 1978 under the repealed Companies Act, 1913 (now, the Companies Act, 2017, hereinafter may be referred to as the 'Act'). Its ordinary shares are listed on the Pakistan Stock Exchange Limited. It is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement (hereinafter referred to as the 'Cement segment'). It has four cement plants; two plants located at Dera Ghazi Khan ('D. G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub').

Nishat Paper Products Company Limited is a public company limited by shares, incorporated in Pakistan on July 23, 2004 under the repealed Companies Ordinance, 1984 (now, the Act). It is principally engaged in the manufacture and sale of paper products and packaging material (hereinafter referred to as the 'Paper segment'). Its manufacturing facility is located at Khairpur on the parent company's land.

Nishat Dairy (Private) Limited is a private company limited by shares, incorporated in Pakistan on October 28, 2011 under the repealed Companies Ordinance, 1984 (now, the Act). It is principally engaged in the business of production and sale of raw milk (hereinafter referred to as the 'Dairy segment'). Its production facility and factory is situated at 1- KM Sukheki Road, Pindi Bhattian.

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

	Effective percetage of holding
- Nishat Paper Products Company Limited	55.00%
- Nishat Dairy (Private) Limited	55.10%

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

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

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 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 financial statements, except for the following:

(a) IFRS 16, 'Leases'

This standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in International Accounting Standard (IAS) 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Group has assessed that the application of this standard does not have any material impact on these consolidated financial statements.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for Group's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

a) Definition of Material – Amendments to IAS 1 and IAS 8: (effective for period beginning on July 01, 2020)

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the consolidated financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those consolidated financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose consolidated financial statements for much of the financial information they need.

The Group is yet to assess the impact of this amendment.

b) Revised Conceptual Framework for Financial Reporting: (effective for period beginning on July 01, 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Group is yet to assess the impact of this revised Conceptual Framework.

c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1: (effective for period beginning on July 01, 2022)

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

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Group does not expect any significant impact of this amendment on its consolidated financial statements.

d) Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020).

The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

The amendment is not likely to have an impact on the consolidated financial statements of the Group.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared under the historical cost convention except for re-measurement of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

a) Provision for taxation - notes 4.3 and 37
b) Deferred tax asset for carried-forward tax losses - note 10
c) Employee benefits - notes 4.4 and 9
d) Useful lives and residual values of property, plant and equipment - notes 4.6 and 18
e) Fair valuation of biological assets - notes 4.7 and 19
f) Fair value of unquoted fair value through other comprehensive income ('FVOCI') investments - note 4.10
g) Impairment of financial assets (other than investments in equity instruments) - note 4.13.4

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

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ('NCI') in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in consolidated statement of comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated statement of comprehensive income are reclassified to consolidated statement of profit or loss.

4.2 Borrowings

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

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

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

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

4.3 Taxation

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

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when differences reverse, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of reporting date. Deferred tax is charged or credited to the consolidated statement of profit or loss, except in the case of items charged or credited to consolidated statement of comprehensive income or consolidated statement of changes in equity in which case it is included in the consolidated statement of comprehensive income or changes in equity.

4.4 Employee benefits

4.4.1 Short term obligations

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

4.4.2 Post employment benefits

(a) Defined benefit plan - Gratuity

The Cement segment operates an approved funded defined benefit gratuity plan for all regular employees having a service period of more than five years for officers and six months for workers. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2020 using the "Projected Unit Credit Method".

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

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

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

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

Discount rate	8.50% p.a.
Expected increase in eligible salary level	7.50% p.a.
Duration of the plan (years)	8

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

(b) Defined contribution plan

The Group operates a recognised provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the Group and the employees as follows:

Cement segment: at the rate of 10% of the basic salary for officers and 10% of basic salary plus cost of living allowance for workers.

Paper segment: at the rate of 10% of the basic salary.

Dairy segment: at the rate of 9.5% of the basic salary.

The Group has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognised as an expense in the consolidated statement of profit or loss as and when incurred.

4.4.3 Accumulating compensated absences

The cement segment provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences. Under the service rules, employees are entitled to 2.5 days leave per month. Unutilised leaves can be accumulated up to 30 days in case of officers. However, leave policy for officers whose leave balance was already accumulated to 90 days or above as of July 01, 2018 may keep leaves accumulated up to 90 days. An officer is entitled to encash the unutilised earned leave accrued during the year. In addition, he can also encash some portion of his accumulated leave balance during the year. Any further unutilised leaves lapse. The earned leave encashment is based on basic salaries. In case of workers, unutilised leaves may be accumulated up to 120 days, however, accumulated leave balance above 50 days is encashable upon demand of the worker. Unutilised leaves can be used at any time by all employees, subject to the approval of the Group's management.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to the consolidated statement of profit or loss . The most recent valuation was carried out as at June 30, 2020 using the "Projected Unit Credit Method".

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

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

Discount rate	8.50% p.a.
Expected rate of increase in salary level per annum	7.50% p.a.
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)
Duration of the plan (years)	9

4.5 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.6 Property, plant and equipment

4.6.1 Operating fixed assets

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

Depreciation on all operating fixed assets of the Group is charged to the consolidated statement of profit or loss on the reducing balance method, except for plant and machinery and leasehold land of the Cement and Paper segments, which are being depreciated using the straight line method, so as to write off the depreciable amount of such assets over their estimated useful life at annual rates mentioned in note 18.1 after taking into account their residual values.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Group's estimate of the residual value and useful life of its operating fixed assets as at June 30, 2020 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognised or retired from active use.

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

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

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

4.6.2 Major spare parts and stand-by equipment

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

4.6.3 Capital work-in-progress

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

4.7 Biological assets - Livestock

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an independent valuer on the basis of best available estimates for livestock of similar attributes. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock is recognized in the consolidated statement of profit or loss.

Livestock are categorized as mature or immature. Mature livestock are those that have attained harvestable specifications. Immature livestock have not yet reached that stage.

Farming cost such as feeding, labour cost, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of cattle and transportation charges are capitalised as part of biological assets.

4.8 Impairment of non-financial assets

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

4.9 Leases

The Group is the lessee:

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

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

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

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

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

4.10 Investments

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

4.11 Stores, spares and loose tools

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

4.12 Stock-in-trade

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

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

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

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

4.13 Financial assets

4.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

4.13.2 Recognition and derecognition

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

4.13.3 Measurement

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

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

Debt instruments

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

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

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

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

Equity instruments

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

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

4.13.4 Impairment of financial assets other than investment in equity instruments

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

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

- Trade debts;
- Contract assets;
- Loans to employees;
- Loan to related party;
- Deposits and other receivables; and
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, in case of trade debts, the Group considers that default has occurred when a debt is more than 360 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for that financial asset because of financial difficulties.

The Group recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

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

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

Trade debts with individually significant balance are separately assessed for ECL measurement. All other receivables are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these consolidated financial assets are estimated using a provision matrix approach based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;

- Past-due status;

- Nature, size and industry of debtors; and

- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

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

4.14 Financial liabilities

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

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

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

4.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.16 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Group holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method less loss allowance.

4.17 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position. Book overdrafts are shown within trade and other payables in current liabilities.

4.18 Foreign currency transactions and translation

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in consolidated statement of profit or loss.

All foreign exchange gains and losses including foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss on a net basis within exchange gains/(losses). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

b) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

4.19 Provisions

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

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

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

4.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

4.21 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies. Revenue is recognised upon satisfaction of performance obligations.

In case of local sales for all segments, except for made-to-order paper products produced by the paper segment, revenue is recognised at the time of despatch of goods from the factory.

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

In case of made-to-order paper products, revenue is recognised over time.

4.22 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.23 Dividend

Dividend distribution to the Group's members is recognised as a liability in the period in which the dividends are approved.

4.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Makers (the CODMs) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the parent pompany.

Segment results that are reported to the CODMs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenses. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments.

The Group's strategic steering committee, consisting of the Board of Directors of the parent company, examines the Group's performance both from a product and geographic perspective and has identified three reportable segments of its business:

Cement Segment: Production and sale of clinker, ordinary portland and sulphate resistant cements.
Paper Segment: Manufacture and supply of paper products and packing material.
Dairy Segment: Production and sale of raw milk.

4.25 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.26 Contract asset and contract liability

A contract asset is recognised for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.27 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up share capital

2020	2019			2020	2019
(Number of shares)				(Rupees in thousand)	
343,512,029	343,512,029	Ordinary shares of Rs 10 each fully paid in cash		3,435,120	3,435,120
20,000,000	20,000,000	Ordinary shares of Rs 10 each issued for consideration other than cash	- note 5.2	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs 10 each issued as fully paid bonus shares		746,071	746,071
438,119,118	438,119,118			4,381,191	4,381,191

5.1 137,574,201 (2019: 137,574,201), 228,500 (2019: 228,500) and 3,358,344 (2019: 3,358,344) ordinary shares of the parent company are held by the following related parties; Nishat Mills Limited, Security General Insurance Company Limited and Adamjee Insurance Company Limited respectively.

Nishat Mills Limited is an Investor as per International Accounting Standard ('IAS') 28, 'Investments in Associates and Joint Ventures'.

5.2 20,000,000 ordinary shares of Rs 10 each were issued to the shareholders of D. G. Khan Electric Company Limited upon its merger with the Parent company on July 01, 1999. These shares were issued as consideration of merger against all assets, properties, rights, privileges, powers, bank accounts, trade marks, patents, leaves and licenses of D. G. Khan Electric Company Limited.

		2020	2019
		(Rupees in thousand)	

6. Other reserves

Movement in and composition of reserves is as follows:

		2020	2019
Capital reserves			
- Share premium	- note 6.1	4,557,163	4,557,163
- FVOCI reserve	- note 6.2	17,150,139	18,852,083
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		22,060,812	23,762,756
Revenue reserve			
- General reserve		5,110,851	5,110,851
		27,171,663	28,873,607

6.1 This reserve can be utilised by the Group only for the purposes specified in section 81 of the Companies Act, 2017.

6.2 This represents the unrealised gain on remeasurement of equity investments at FVOCI and is not available for distribution.

6.3 The Capital redemption reserve fund represents fund created for redemption of preference shares. In accordance with the terms of issue of preference shares, to ensure timely payments, the Group was required to maintain a redemption fund with respect to preference shares. The Group had created a redemption fund and appropriated Rs 7.4 million each month from the consolidated statement of profit or loss in order to ensure that fund balance at redemption date was equal to the principal amount of the preference shares. The preference shares were redeemed during the year ended June 30, 2007.

		2020	2019
		(Rupees in thousand)	

7. Long term finances - secured

		2020	2019
Long-term loans	- notes 7.1 & 7.2	24,728,690	21,875,324
Current portion shown under current liabilities	- note 15	(2,049,484)	(5,215,850)
		22,679,206	16,659,474

7.1 Long term loans - secured

Loan	Lender	2020	2019	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
		(Rupees in thousand)				
Local						
1	The Bank of Punjab	400,000	450,000	** Base rate + 0.25%	8 equal semi-annual instalments ending in December 2024	Half yearly
2	Habib Bank Limited	300,000	450,000	* Base rate + 0.25%	4 equal quarterly instalments ending in December 2021	Quarterly
3	Habib Bank Limited	2,000,000	2,250,000	* Base rate + 0.20%	8 equal semi-annual instalments ending in December 2024	Quarterly
4	Habib Bank Limited	1,999,844	2,249,824	* Base rate + 0.3%	8 equal semi-annual instalments ending in December 2024	Quarterly
5	Bank Alfalah Limited	2,000,000	2,250,000	** Base rate + 0.25%	8 equal semi-annual instalments ending in December 2024	Quarterly
6	National Bank of Pakistan	2,242,500	2,541,500	* Base rate + 0.25%	15 equal quarterly instalments ending in October 2024	Quarterly
7	BankIslami Pakistan Limited	100,000	300,000	** Base rate + 0.2%	2 equal quarterly instalments ending in September 2021	Quarterly
8	Standard Chartered Bank (Pakistan) Limited	500,000	1,000,000	* Base rate + 0.15%	3 equal quarterly instalments ending in December 2021	Quarterly
9	National Bank of Pakistan-Islamic	1,000,000	1,000,000	** Base rate + 0.25%	10 equal semi-annual instalments starting in June 2021	Half yearly
10	Allied Bank Limited	5,230,222	5,884,000	* Base rate + 0.2%	16 equal quarterly instalments ending in March 2025	Quarterly
11	Allied Bank Limited	900,000	900,000	* Base rate + 0.35%	20 equal quarterly instalments starting in August 2021	Quarterly
12	Bank Alfalah Limited	1,375,000	1,750,000	* Base rate + 0.35%	11 equal quarterly instalments ending in November 2023	Quarterly
13	Bank Alfalah Limited	1,500,000	-	* Base rate + 0.75%	16 equal quarterly instalments starting in March 2022	Quarterly
14	Allied Bank Limited	1,000,000	-	* Base rate + 0.60%	12 equal quarterly instalments starting in May 2022	Quarterly
15	Allied Bank Limited	570,338	-	*** Base rate + 0.5%	8 equal quarterly instalments starting in January 2021	Quarterly
16	National Bank of Pakistan	2,864,717	-	* Base rate + 0.75%	20 equal quarterly instalments starting in August 2022	Quarterly
17	Habib Bank Limited	480,000	600,000	** Base rate + 0.30%	10 equal semi-annual instalments ending in February 2025	Half yearly
18	The Bank of Punjab	222,222	250,000	** Base rate +0.2%	9 equal semi-annual instalments ending in October 2024	Half yearly
19	Bank Alfalah Limited	28,505	-	**** Base rate + 1.5%	8 equal quarterly instalments starting in January 2021	Quarterly
20	Allied Bank Limited	15,342	-	**** Base rate + 0.5%	8 equal quarterly instalments starting in January 2021	Quarterly
		24,728,690	21,875,324			

* Base rate: Average ask rate of three-month Karachi Inter-Bank Offered Rate ('KIBOR') to be reset for each mark-up period.

** Base rate: Average ask rate of six-month KIBOR to be reset for each mark-up period.

*** This represents long term financing facility availed from Allied Bank Limited under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), subject to the approval of SBP. The total facility available amounts to Rs 575 million. The base rate applicable during the year is three-month KIBOR to be reset for each mark-up period. However, subsequently in August 2020, the SBP has granted approval to one tranche of this loan amounting Rs 187.004 million under the Refinance Scheme resulting in changing of existing base rate to SBP rate which is 0%.

**** These represent long term financing facilities availed under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), subject to the approval of SBP. The total facility available from Bank Alfalah Limited and Allied Bank Limited amounts to Rs 15.324 million and Rs 31.260 million, respectively. The base rate applicable during the year is SBP rate which is 0%.

7.2 Security

Loan 1
First pari passu charge over present and future fixed assets of the Cement segment for Rs 667 million with 25% margin.

Loan 2
First pari passu charge over present and future fixed assets of the Cement segment for Rs 2,000 million with 25% margin.

Loan 3
First pari passu charge over present and future fixed assets of the Cement segment for Rs 3,333.34 million with 25% margin.

Loan 4
First pari passu charge over present and future fixed assets of the Cement segment for Rs 3,333.34 million with 25% margin.

Loan 5
First pari passu charge over present and future fixed assets of the Cement segment for Rs 3,333.34 million with 25% margin.

Loan 6
First pari passu charge over present and future fixed assets of the Cement segment for Rs 4,000 million with 25% margin.

Loan 7
First pari passu charge over present and future fixed assets of the Cement segment for Rs 1,000 million.

Loan 8
First pari passu charge over present and future fixed assets of the Cement segment for Rs 2,666 million.

Loan 9
First pari passu charge over present and future fixed assets of the Cement segment for Rs 1,333.34 million.

Loan 10
First pari passu charge over present and future fixed assets of the Cement segment for Rs 7,867 million with 25% margin.

Loan 11
First pari passu charge over present and future fixed assets of the Cement segment for Rs 1,200 million with 25% margin.

Loan 12
First pari passu charge over present and future fixed assets of the Cement segment for Rs 2,667 million.

Loan 13
Ranking charge over fixed assets of the Cement segment for Rs 2,000 million to be upgraded to first pari passu charge.

Loan 14
Ranking charge over fixed assets of the Cement segment for Rs 1,333.33 million to be upgraded to first pari passu charge.

Loan 15
Ranking charge over fixed assets of the Cement segment for Rs 760 million to be upgraded to first pari passu charge.

Loan 16
First pari passu charge over present and future fixed assets of the Cement segment for Rs 6,993.33 million with 25% margin.

Loan 17
First pari passu hypothecation charge on present and future fixed assets (Plant and Machinery) of the Paper segment with 25% margin.

Loan 18
First pari passu charge over present and future operating fixed assets (Plant and Machinery) of the Paper segment.

Loan 19 and 20
Such loans are unsecured.

		2020	2019
		(Rupees in thousand)	

7.3 The reconciliation of the carrying amount is as follows:

		2020	2019
Opening balance		21,875,324	20,667,971
Disbursements during the year		6,278,293	3,850,000
Repayments during the year		(3,424,927)	(2,642,647)
	- note 7.1	24,728,690	21,875,324
Current portion shown under current liabilities	- note 15	(2,049,484)	(5,215,850)
		22,679,206	16,659,474

8. Long term deposits

	2020	2019
Customers	152,152	139,863
Others	101,785	102,180
	253,937	242,043

These include interest free security deposits from stockists and suppliers and are repayable on cancellation/withdrawal of the dealership or on cessation of business with the Group. As per the agreements signed with these parties, the Group has the right to utilise the amounts for the furtherance of their business, hence, the amounts are not required to be kept in a separate account maintained in a scheduled bank. Therefore, the Group is in compliance with section 217 of Companies Act, 2017. These deposits have not been carried at amortised cost since the effect of discounting is immaterial in the context of these consolidated financial statements.

9. Deferred liabilities

		2020	2019
		(Rupees in thousand)	
Staff gratuity	- note 9.1	362,292	298,240
Accumulating compensated absences	- note 9.2	159,542	150,954
		521,834	449,194

9.1 Staff gratuity

	2020	2019
The amounts recognised in the consolidated statement of financial position are as follows:		
Present value of defined benefit obligation	798,510	708,876
Fair value of plan assets	(436,218)	(410,636)
Liability as at June 30	362,292	298,240

9.1.1 Movement in net liability for staff gratuity

	2020	2019
Net liability as at beginning of the year	298,240	161,815
Current service cost	79,585	67,473
Net interest on defined benefit obligation	96,177	50,661
Return on plan assets during the year	(57,093)	(38,007)
	118,669	80,127
Total remeasurements for the year (credited)/charged to consolidated statement of comprehensive income	(11,963)	98,738
Contributions made by the Group during the year	(42,654)	(42,440)
Liability as at June 30	362,292	298,240

	2020	2019
	(Rupees in thousand)	

9.1.2 Movement in present value of defined benefit obligation

	2020	2019
Present value of defined benefit obligation as at beginning of the year	708,876	584,159
Current service cost	79,585	67,473
Interest cost	96,177	50,661
Benefits paid during the year	(62,620)	(42,522)
Remeasurements:		
- Actuarial (gains)/losses from changes in financial assumptions	(7,149)	5,656
- Experience adjustments	(16,359)	43,449
	(23,508)	49,105
Present value of defined benefit obligation as at June 30	798,510	708,876

9.1.3 Movement in fair value of plan assets

	2020	2019
Fair value of plan assets as at beginning of the year	410,636	422,344
Interest income on plan assets	57,093	38,007
Contributions during the year	42,654	42,440
Benefits paid during the year	(62,620)	(42,522)
Remeasurements in fair value of plan assets	(11,545)	(49,633)
Fair value of plan assets as at June 30	436,218	410,636

9.1.4 Plan assets

Plan assets are comprised as follows:

	2020		2019	
	(Rs in '000')	Percentage	(Rs in '000')	Percentage
Plan assets				
Cash and bank balances	66,033	15.14%	8,854	2.16%
Debt instruments	312,552	71.65%	264,525	64.42%
Special Savings Certificates with accrued interest	57,633	13.21%	77,284	18.82%
Deposits	-	0.00%	59,973	14.60%
	436,218	100.00%	410,636	100.00%

	2020	2019
	(Rupees in thousand)	

9.1.5 Charge for the year

	2020	2019
Current service cost	79,585	67,473
Interest cost	96,177	50,661
Interest income on plan assets	(57,093)	(38,007)
Total expense for the year	118,669	80,127

	2020	2019
	(Rupees in thousand)	

9.1.6 Total remeasurements charged to consolidated statement of comprehensive income

	2020	2019
Actuarial (gains)/losses from changes in financial assumptions	(7,149)	5,656
Experience adjustments	(16,359)	43,449
	(23,508)	49,105
Remeasurements in plan assets, excluding interest income	11,545	49,633
Total remeasurements (credited) / charged to consolidated statement of comprehensive income	(11,963)	98,738

9.1.7 Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under:

		2020	2019
Discount rate	Per annum	8.50%	14.25%
Expected rate of increase in salary	Per annum	7.50%	13.25%
Rate of interest income on plan assets	Per annum	8.50%	14.25%
Duration of the plan	Number of years	8	8

9.1.8 Year end sensitivity analysis (±100 bps) on defined benefit obligation is as follows:

	Discount rate + 100 bps	Discount rate 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	(Rupees in thousand)			
Present value of defined benefit obligation	733,780	861,897	862,624	732,096

9.1.9 The Group expects to pay Rs 112.632 million in contributions to defined benefit plan during the year ending June 30, 2021.

9.1.10 The Group faces the following risks on account of gratuity fund:

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Mortality risk – the risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- Withdrawal risk – the risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

9.2 Accumulating compensated absences

		2020	2019
		(Rupees in thousand)	
Opening balance		150,954	143,327
Charged to profit or loss		59,661	85,899
Payments made during the year		(12,793)	(38,055)
		197,822	191,171
Current portion shown under current liabilities	- note 15	(38,280)	(40,217)
Closing balance		159,542	150,954

	2020	2019
	(Rupees in thousand)	

9.2.1 Movement in liability for accumulating compensated absences

	2020	2019
Present value of accumulating compensated absences as at beginning of the year	150,954	143,327
Current service cost	53,353	48,693
Interest cost	17,872	9,377
Benefits due but not paid	(38,280)	(40,217)
Benefits paid during the year	(12,793)	(38,055)
Remeasurement in respect of experience adjustments	(11,564)	27,829
Present value of accumulating compensated absences as at June 30	159,542	150,954

9.2.2 Charge for the year

	2020	2019
Current service cost	53,353	48,693
Interest cost	17,872	9,377
Remeasurement during the year	(11,564)	27,829
Total expense for the year	59,661	85,899

9.2.3 Assumptions used for valuation of the accumulating compensated absences are as under:

		2020	2019
Discount rate	Per annum	8.50%	14.25%
Expected rate of increase in salary	Per annum	7.50%	13.25%
Duration of the plan	Number of years	9	9
Expected withdrawal and early retirement rate		SLIC 2001-2005 mortality table	SLIC 2001-2005 mortality table

9.2.4 Year end sensitivity analysis (± 100 bps) on obligation:

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	(Rupees in thousand)			
Present value of obligation	146,495	174,733	174,557	146,425

9.2.5 The Group faces the following risks on account of accumulating compensated absences:

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- Mortality risk – the risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- Withdrawal risk – the risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2020	2019
	(Rupees in thousand)	

10. Deferred taxation

The liability for deferred taxation comprises taxable/(deductible) temporary differences relating to:

Deferred tax liability

	2020	2019
Accelerated tax depreciation	10,692,298	10,089,118
Borrowing cost capitalised	7,346	-
Un-realised gain on long term investment	89,791	51,164
Gain arising from changes in fair value of biological assets	185,888	97,364
	10,975,323	10,237,646

Deferred tax assets

	2020	2019
Available unused tax credits	(1,993,723)	(2,296,972)
Available unused tax losses	(6,069,483)	(3,459,113)
Loss allowance on financial assets	(37,260)	(8,212)
Provision for retirement and other benefits	(147,392)	(128,790)
Others	(4,083)	(4,863)
	(8,251,941)	(5,897,950)
	2,723,382	4,339,696

The gross movement in net deferred tax liability during the year is as follows:		2020	2019
Opening balance		4,339,696	4,299,861
EEffect of initial application of IFRS 9 and IFRS 15		-	12,647
Charged/(credited) to other comprehensive income		43,184	(361,224)
(Credited)/charged to statement of profit or loss	- note 37	(1,666,956)	388,439
Other adjustments		7,458	(27)
Closing balance		2,723,382	4,339,696

Deferred tax assets have been recognized to the extent that the realisation of related tax benefits is probable from reversal of existing taxable temporary differences and future taxable profits. Based on the Cement segment's approved business plan, it is probable that sufficient taxable profits will be available for utilization of deferred tax assets. With respect to the Dairy segment, the tax losses available for carry forward at June 30, 2020 are estimated at Rs 386.546 million (2019: Rs 402.261 million) and minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 is estimated at Rs 43.132 million (2019: Rs 16.852 million). The Group has not recognised deferred tax asset in respect of the above losses and minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 as sufficient taxable profits would not be available to utilise these in the foreseeable future and would expire as follows:

Accounting year to which tax loss tax relates	Amount of unused tax loss (Rupees in '000)	Accounting year in which tax loss will expire
2020	289,541	2026
2019	97,005	2025
	386,546	

Accounting year to which minimum tax relates	Amount of minimum tax (Rupees in '000)	Accounting year in which minimum tax will expire
2020	26,280	2025
2019	13,151	2024
2018	3,701	2023
	43,132	

11. Trade and other payables

		2020	2019
		(Rupees in thousand)	
Trade creditors	- note 11.1	4,007,304	3,285,085
Bills payable		154,946	269,518
Infrastructure cess		210,404	195,650
Contract liability		1,636,864	555,107
Accrued liabilities	- note 11.2 & 11.6	4,125,247	3,603,737
Workers' profit participation fund	- note 11.3	105,036	205,773
Workers' welfare fund		3,899	-
Sales tax payable		280	148
Federal excise duty payable		874,586	33,936
Withholding tax payable		9,185	12,866
Retention money payable		112,585	120,275
Export commission payable		97,640	52,268
Book overdraft	- note 11.4	23,814	87,470
Others	- note 11.5	73,137	68,909
		11,434,927	8,490,742

11.1 Trade creditors includes amount due to the following related parties:

	2020	2019
Nishat Agriculture Farming (Private) Limited	48,547	21,861
Security General Insurance Company Limited	1,616	10,729
	50,163	32,590

11.2 Includes Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. Subsequent to the year end, the Supreme Court of Pakistan has upheld the GIDC Act, 2015 to be constitutional and intravires. The Group intends to file a review against the said decision.

11.3 Workers' profit participation fund

		2020	2019
		(Rupees in thousand)	
Opening balance		205,773	407,637
Provision for the year	- note 34	9,747	112,078
Interest for the year	- note 36	8,534	-
		224,054	519,715
Payments made during the year		(119,018)	(313,942)
Closing balance		105,036	205,773

11.4 This represents book overdraft balances due to unpresented cheques in respect of saving bank accounts.

11.5 Includes payable to employees' provident fund amounting to Rs 0.296 million (2019: Rs 6.62 million). The maximum aggregate amount outstanding at the end of any month during the year of employees' provident fund was Rs 0.296 million (2019: Rs 670.13 million)

11.6 This includes reversal of excess provision in respect of previous years amounting to Rs 526.463 million.

		2020	2019
		(Rupees in thousand)	
12. Accrued markup			
Accrued mark-up/interest on:			
- Long term loans - secured		442,431	453,324
- Short term borrowings - secured		360,992	437,540
		803,423	890,864
13. Short term borrowings - secured			
Short term running finances - secured	- note 13.1	15,482,467	13,636,227
Import finances - secured	- note 13.2	6,483,558	7,924,789
Export finances - secured	- note 13.3	3,883,500	1,290,000
		25,849,525	22,851,016

13.1 Short term running finances - secured

Short term running finances available from various commercial banks under mark-up arrangements aggregate to Rs 29,763 million (2019: Rs 23,075 million). Such facilities are available at mark-up rates ranging from one to three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 0.05% to 1.5% per annum (2019: one to three months KIBOR plus 0.05% to 1.5% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 8.33% to 15.35% (2019: 6.45% to 13.6%) per annum and mark-up is payable monthly to quarterly. These are secured by first registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments, receivables.

13.2 Import finances - secured

Import finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 17,170 million (2019: Rs 14,670 million). Such facilities are available at mark-up rates ranging from one to six months KIBOR plus 0.010% to 0.2% per annum (2019: one to three months KIBOR plus 0.010% to 0.2% per annum) and one to six months London Inter-Bank Offered Rate ('LIBOR') plus 0.75% per annum (2019: one to six months LIBOR plus 0.5% per annum). The mark-up rate charged during the year on the outstanding balance ranged from 1.74% to 14.67% (2019: 2.38% to 12.37%) per annum and mark-up is payable on settlement. The aggregate import finances are secured by a registered charge on all present and future current assets of the Cement segment and Paper segment, wherever situated, including stores and spares, stock in trade, trade debts, investments and other receivables.

13.2 Export finances - secured

Export finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 10,650 million (2019: Rs 4,350 million). Such facilities are available at mark-up rate as per the State Bank of Pakistan's (SBP) Export Finance Scheme plus 0.25% to 1.00% per annum (2019: mark-up rate as per SBP's Export Finance Scheme plus 0.25% to 0.35% per annum). The Export Finance Scheme rate has remained constant at 2% throughout the year, however, in respect of a certain facility, KIBOR plus 0.3% was charged for a certain period. These loans are obtained for a period of 180 days and are secured against pari passu hypothecation charge over current assets of the Cement Segment.

13.4 Letters of credit and guarantees

Of the aggregate facility of Rs 29,280 million (2019: Rs 16,880 million) for opening letters of credit and Rs 4,170 million (2019: Rs 4,600 million) for guarantees, all being either main limits or sub-limits of the facilities, the amount utilised as at June 30, 2020 was Rs 3,966.761 million (2019: Rs 2,398 million) and Rs 2,915 million (2019: Rs 2,812 million) respectively. The facilities for opening letters of credit are secured against lien over import documents whereas aggregate facilities for guarantees are secured against registered joint pari passu charge over the present and future current assets of the Group. Of the facility for guarantees, Rs 14.48 million (2019: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 29.2.

14. This represents unsecured and interest free loans provided by the three directors (including Chief Executive) of Nishat Dairy (Private) Limited to finance the working capital requirements. The loan amount was initially repayable within one year from the execution date, i.e. September 20, 2017, which was then extended for another year in 2018 and 2019 when the amount became due. The un-availed facility of loan as at June 30, 2020 is Nil (2019: Nil).

15. Current portion of non-current liabilities

		2020	2019
		(Rupees in thousand)	
Long term finances	- note 7	2,049,484	5,215,850
Accumulating compensated absences	- note 9.2	38,280	40,217
		2,087,764	5,256,067

16. Unclaimed dividend

The disclosures required under section 244 of the Companies Act, 2017 are as follows:

	2020	2019
	(Rupees in thousand)	
Amounts transferred into unpaid dividend account	34,000	-
Dividend claims received and settled	962	939
Profits generated from unpaid dividend account	-	-
Profits utilised	-	-
The reconciliation of carrying amount is as follows:		
Opening balance	33,438	28,346
Dividends declared	438,119	1,862,006
Interest on dividend	-	-
Dividends paid	(437,720)	(1,856,914)
Closing balance	33,837	33,438

17. Contingencies and commitments

17.1 Contingencies

17.1.1 The matter relating to interpretation of provisions of section 4(2) of the repealed Central Excise Act, 1944 (1944 Act) has now attained finality after having been adjudicated by the honourable Supreme Court of Pakistan through its judgment dated January 27, 2009 (upholding its previous judgment dated February 15, 2007). The longstanding controversy between the Revenue Department and the tax payers related primarily to finer interpretation of the provisions of section 4(2) of the 1944 Act wherein the department had a view that excise duty shall be included as a component for determination of the value (retail price) for levying excise duty. The departmental view, being against the spirit of law, was challenged by the taxpayers in appeals before the honourable High Courts of Pakistan which, duly appreciating the contentions of the taxpayers, overturned the departmental view and succeeded the appeals.

Now, since the controversy has attained finality up to the highest appellate level, the Group has initiated the process of claiming refund of excess excise duty paid by it during the periods from 1994 to 1999 which aggregates Rs 1,115.145 million. The amount of refund, however, shall be incorporated in the books of account once it is realized by the Group.

17.1.2 The Income Tax Officer, while framing the assessments for the assessment years 1984-85 to 1990-91, has taxed the income of the Group on account of the interest on the deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the Group issued an order in favour of the Group for the assessment years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these consolidated financial statements for the relief granted by the Appellate Tribunal aggregating Rs 35.090 million.

Contingent liabilities:

17.1.3 During the period 1994 to 1996, the Group imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484(I)/92, 978(I)/95 and 569(I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Group by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Group appealed before the Lahore High Court, Multan Bench, which allowed the Group to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan, passed an order dated November 26, 1999, against the Group on the grounds that the said machinery was being manufactured locally during the time when it was imported.

After various appeals at different forums, the honourable Supreme Court of Pakistan remanded the case back to the Customs Authorities to reassess the liability of the Group. The custom authorities re-determined the liability of the Group upon which the Group preferred an appeal to the Customs Appellate Tribunal. The Tribunal decided the case in favour of the Group, upon which the Group discharged all liabilities. However, the custom authorities preferred a reference to the Lahore High Court, Multan Bench on November 19, 2013. Last hearing of the case was conducted on June 25, 2018. In case of any adverse decision, the management assesses liability to the tune of Rs 233.390 million. No provision for this amount has been made in the consolidated financial statements as according to the management of the Group, there are meritorious grounds that the ultimate decision would be in its favour.

17.1.4 The Competition Commission of Pakistan ('the CCP') took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association ('APCMA') and its member cement manufacturers. The Group filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs 933 million on the Group. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Group for the time being.

The vires of the Competition Commission of Pakistan have been challenged by a large number of petitioners and all have been advised by their legal counsels that prima facie the Competition Ordinance, 2007 is ultra vires of the Constitution of Pakistan. The Honourable Supreme Court of Pakistan sent the appeals of the petitioners to newly formed Competition Appellate Tribunal ('CAT') to decide the matter. the Group has challenged sections 42, 43 and 44 of the Competition Act, 2010 in the Sindh High Court. The Honourable Sindh High Court upon petition filed by large number of petitioners gave direction to CAT to continue with the proceedings and not to pass a final order till the time petition is pending in Sindh High Court. No provision for this amount has been made in the consolidated financial statements as according to the management of the Group, there are meritorious grounds that the ultimate decision would be in its favour.

17.1.5 The Honourable Sindh High Court passed an Order dated September 17, 2008 in which it rendered the fifth version of law enforcing infrastructure cess as valid and intravires. The Group filed an appeal in the Sindh High Court against the fifth and subsequent versions of the infrastructure cess. The parties finally reached an interim arrangement, through an order of the Sindh High Court dated May 31, 2011, for the release of 50% of the guarantees pertaining to consignments between December 28, 2006 to May 30, 2011, while the remainder amounting to Rs 89.164 million was kept alive till the disposal of the case which remains pending in the Sindh High Court. According to the legal counsel of the Group, chances of favourable outcome of the appeal are fair, therefore, 50% of the amount of infrastructure cess payable has not been incorporated in these consolidated financial statements amounting to Rs 89.164 million.

17.1.6 The Group, consequent to the order-in-appeal passed by the learned Customs, Federal Excise and Sales Tax Appellate Tribunal, Lahore, filed a petition before the Lahore High Court on March 27, 2008, challenging the levy of sales tax on the in-house consumption of Shale, Gypsum and Limestone for the period from June 13, 1997 to August 11, 1998. Last hearing of the case was conducted on December 17, 2015. According to the legal counsel of the Group, chances of favourable outcome of the petition are fair, therefore the payable amount has not been incorporated in these consolidated financial statements amounting to Rs 212.239 million.

17.1.7 The Group filed an appeal before the Commissioner Inland Revenue (CIR) (Appeals), against the amended assessment order dated June 29, 2014 passed by the Additional Commissioner Inland Revenue under section 122(9)/122(5A) of the Income Tax Ordinance, 2001 for the tax year 2008. Through this order an income tax demand of Rs 184.61 million was created against the Group. Objection was raised on various issues like difference in raw material purchases in income tax and sales tax records, unexplained/unsubstantiated tax deductions claimed, difference in federal excise duty and sales tax liability as per income tax and sales tax returns, brought forward losses not allowed, etc. The assessment order was decided in favor of the Group by the CIR (Appeals) against which the department has filed appeal before the Appellate Tribunal Inland Revenue which is pending adjudication. The management, based on the advice of its legal counsel, is confident that the matter will be decided in its favor and no financial obligation is expected to accrue. Consequently, no provision has been made in these consolidated financial statements.

17.1.8 The banks have issued the following guarantees on Group's behalf in favour of:

- Collector of Customs, Excise and Sales Tax against levy of sales tax, custom duty and excise amounting to Rs 31.115 million (2019: Rs 34.772 million).

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 805.9 million (2019: Rs 755.9 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organization amounting to Rs 0.5 million (2019: Rs 0.5 million).

- Sui Northern Gas Pipelines Limited against supply of 6 MMCFD and 14 MMCFD gas for captive use at cement segment plants at Khairpur and at D. G. Khan respectively amounting to Rs 544.414 million (2019: Rs 544.414 million) and against connection of gas supply for Sukheki Farm of Dairy segment amounting to Rs 26.6 million (2019: Rs 26.6 million).

- Sindh High Court against levy of sales tax, custom duty and excise amounting to Rs 176.860 million (2019: Rs 176.860 million).

- Export orders amounting to Rs 5.042 million (2019: Rs 2.434 million).

- K-Electric Limited against supply of electricity to Hub plant of cement segment amounting to Rs 142.4 million (2019: Rs 142.4 million).

- Supreme Court of Pakistan in respect of Katas Raj Temple water shortage case amounting to Nil (2019: Rs 600 million).

- Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess amounting to Rs 16 million (2019: Rs 16 million).

- Metro Habib Cash and Carry against purchase of goods and supplies on credit amounting to Rs 2 million (2019: Rs 2 million).

- Directorate General of Customs Valuation, Customs House Karachi on account of valuation ruling amounting to Rs 22.65 million (2019: Rs 25.19 million); and

- Director Excise and Taxation, Karachi on account of infrastructure development cess amounting to Rs 92.647 million (2019: Rs 91.33 million).

17.1.9 The Group has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs 1,208.524 million (2019: Rs 550 million).

17.1.10 The Group has issued a post dated cheque in favour of Nazir of the High Court of Sindh amounting to Rs 227.76 million (2019: Nil) against the Industrial Support Package Adjustment on K-Electric electricity bills.

17.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 2,614.855 million (2019: Rs 1,600.703 million).

(ii) Letters of credit for capital expenditure Rs 2.237.133 million (2019: Rs 935.353 million).

(iii) Letters of credit other than capital expenditure Rs 1,397.913 million (2019: Rs 1,436.660 million).

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

	2020	2019
	(Rupees in thousand)	
Not later than one year	425	425
Later than one year and not later than five years	1,699	1,699
Later than five years	4,712	5,125
	6,836	7,249

18. Property, plant and equipment

		2020	2019
Operating fixed assets	- note 18.1	80,612,174	80,783,631
Capital work-in-progress	- note 18.2	6,369,586	3,010,897
Major spare parts and stand-by equipment	- note 18.3	192,500	42,308
		87,174,260	83,836,836

18.1 Operating fixed assets

2020 (Rupees in thousand)

		Annual rate of depreciation %	Cost as at July 01, 2019	Additions/ (Deletions)	Cost as at 30 June 2020	Accumulated depreciation as at July 01, 2019	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2020	Book value as at June 30, 2020
Freehold land	- note 18.1.2	-	2,178,948	16,690	2,195,638	-	-	-	2,195,638
Leasehold land		3.33	263,000	-	263,000	24,706	8,767	33,473	229,527
Buildings on freehold land									
- Factory building		5 to 10	23,345,324	103,223	23,448,547	6,041,943	923,366	6,965,309	16,483,238
- Office building and housing colony		5	3,277,090	2,531	3,279,621	702,195	134,604	836,799	2,442,822
Roads		10	2,308,797	15,454	2,324,251	521,862	181,734	703,596	1,620,655
Plant and machinery		3 to 9	68,867,483	3,024,340	71,790,910	18,925,653	1,893,946	20,817,839	50,973,071
				(100,913)			(1,760)		
Factory equipment		10	71,718	1,581	73,299	43,193	13,782	56,975	16,324
Quarry equipment		10	4,421,134	130,767	4,551,901	1,778,220	212,161	1,990,381	2,561,520
Furniture, fixture and office equipment		10 to 30	932,999	123,972	1,056,462	440,152	167,159	607,087	449,375
				(509)			(224)		
Vehicles		20	966,946	67,301	996,489	374,341	109,083	462,474	534,015
				(37,758)			(20,950)		
Aircraft		30	328,752	-	328,752	298,723	8,992	307,715	21,037
Power and water supply lines		10	3,695,326	402,247	4,097,573	722,898	289,373	1,012,621	3,084,952
				-			350		
			110,657,517	3,888,106	114,406,443	29,873,886	3,942,967	33,794,269	80,612,174
				(139,180)			(22,584)		

2019

(Rupees in thousand)

	Annual rate of depreciation %	Cost as at July 01, 2018	Additions/ (Deletions)	Cost as at 30 June 2019	Accumulated depreciation as at July 01, 2018	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2019	Book value as at June 30, 2019
Freehold land	-	2,125,019	53,929	2,178,948	-	-	-	2,178,948
Leasehold land	3.33	63,000	200,000	263,000	22,050	2,656	24,706	238,294
Buildings on freehold land								
- Factory building	5 to 10	21,922,016	1,423,308	23,345,324	5,140,505	901,438	6,041,943	17,303,381
- Office building and housing colony	5	2,724,061	553,029	3,277,090	586,955	115,240	702,195	2,574,895
Roads	10	1,470,283	838,514	2,308,797	408,603	113,259	521,862	1,786,935
Plant and machinery	3.33 to 60	65,955,749	2,941,956	68,867,483	17,114,675	1,824,009	18,925,653	49,941,830
			(30,222)			(13,031)		
Factory equipment	10	68,369	3,349	71,718	27,755	15,438	43,193	28,525
Quarry equipment	10	3,946,993	474,141	4,421,134	1,558,719	219,501	1,778,220	2,642,914
Furniture, fixture and office equipment	10 to 30	743,808	189,365	932,999	277,974	162,278	440,152	492,847
			(174)			(100)		
Vehicles	20	762,505	270,932	966,946	311,095	100,978	374,341	592,605
			(66,491)			(37,732)		
Aircraft	30	328,752	-	328,752	285,877	12,846	298,723	30,029
Power and water supply lines	10	3,552,177	143,149	3,695,326	419,104	303,794	722,898	2,972,428
		103,662,732	7,091,672	110,657,517	26,153,312	3,771,437	29,873,886	80,783,631
			(96,887)			(50,863)		

18.1.1 Freehold land and building includes book values of Rs 12 million (2019: Rs 12 million) and Rs 4.959 million (2019: Rs 4.907 million) respectively which are held in the name of Chief Executive. This property is located in the locality of Defence Housing Authority, Lahore, where the bye-laws restrict transfer of title of the residential property in the name of a company.

18.1.2 Following are the particulars of the Group's immovable fixed assets:

	Location	Usage of immovable property	Total Area (in Acres)
Cement Segment			
	Hub, Mauza Chichai, Balochistan	Plant site and staff colony	1466.5
	Khairpur district, Chakwal, Punjab	Plant site and staff colony	901.5
	Kanrach Nai, District Lasbela, Balochistan	Source of raw material	723.14
	Dera Ghazi Khan, Punjab	Plant site and staff colony	590
	Lakho Dair, Lahore, Punjab	Processing site	45
	Gulberg, Lahore, Punjab	Administrative offices	1.5
	Others	Sales offices	0.28
Dairy segment	Moza Katrani Tehsil Pindi Bhattian, District Hafizabad, Sukheki	Plant site	214.57
	Moza Harsa Attla Tehsil Pindi Bhattian, District Hafizabad, Sukheki	Plant site	0.75

There are no immoveable fixed assets of the Paper segment.

18.1.3. The depreciation charge for the year has been allocated as follows:

		2020	2019
		(Rupees in thousand)	
Cost of sales	- note 31	3,851,776	3,688,264
Administrative expenses	- note 32	83,288	74,556
Selling and distribution expenses	- note 33	7,903	8,617
		3,942,967	3,771,437

18.1.4 Book values of operating fixed assets consist of the following with respect to operating segments:

	Cement segment		Paper segment		Dairy segment		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Plant and machinery	49,043,105	48,093,269	1,488,934	1,359,821	441,032	488,740	50,973,071	49,941,830
All other assets	27,943,431	28,835,719	132,560	331,319	1,563,112	1,674,763	29,639,103	30,841,801
Total	76,986,536	76,928,988	1,621,494	1,691,140	2,004,144	2,163,503	80,612,174	80,783,631

18.1.5 Sale of operating fixed assets

Detail of operating fixed assets sold off during the year is as follows:

2020 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sales proceeds	Gain / (Loss) on disposal	Mode of disposal
Plant and machinery	**Outside parties**					
	Izhar Construction (Private) Limited	7,265	7,152	5,128	(2,024)	Negotiation
	Izhar Construction (Private) Limited	7,179	6,874	5,128	(1,746)	-do-
	Izhar Construction (Private) Limited	8,120	7,994	5,677	(2,317)	-do-
	Izhar Construction (Private) Limited	78,349	77,134	47,067	(30,067)	-do-
	Virk International	11,932	7,361	3,700	(3,661)	-do-
	Nishat Mills Limited - related party	18,290	9,831	21,349	11,518	-do-
Vehicles	**Employee**					
	Muhammad Alam	1,887	1,112	1,112	-	As per Group policy
	Aftab Ahmad Khan (Key Management Personnel)	2,387	1,433	1,433	-	-do-
	Aftab Ahmad Khan (Key Management Personnel)	2,734	1,479	1,479	-	-do-
	Nasir Iqbal	2,396	1,950	-	(1,950)	-do-
	Arif Bashir (Key Management Personnel)	2,521	1,318	2,237	919	-do-
	Rana Rasheed Ahmad	1,786	869	869	-	-do-
	Azam Munir	1,771	912	912	-	-do-
	Muhammad Ghaffar Rao	1,953	797	-	(797)	-do-
	Ahson Atta	2,503	1,067	1,067	-	-do-
	Mazhar ul Haq	1,815	1,477	1,480	3	-do-
	Outside parties					
	Mrs. Neham Khalil	2,546	893	1,575	682	Auction

2019 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sales proceeds	Gain / (Loss) on sale	Mode of sale
Plant and machinery	**Outside parties**					
	Virk International	11,932	7,361	3,700	(3,661)	Negotiation
	Nishat Mills Limited - related party	18,290	9,831	21,349	11,518	-do-
Vehicles	**Employee**					
	Muhammad Aslam	1,971	999	999	-	As per Group policy
	Mushtaq Ahmed	1,786	1,123	1,123	-	-do-
	Muhammad Aslam	1,971	1,200	1,200	-	-do-
	Zakki Nasir	1,846	886	1,750	864	Negotiation
	Outside parties					
	Shafaqat Ali	1,555	530	1,333	803	Auction
	Nisar Ahmed Qureshi	2,483	1,655	1,655	-	-do-
	Abdul Hameed	1,555	562	1,328	766	-do-
	Khurram Imtiaz	1,971	902	2,020	1,118	-do-
	Mehmood Dasti (ex-employee)	1,771	1,065	1,065	-	-do-
	Mukhtar Ahmad	1,971	1,002	1,016	14	-do-
	Adnan Qureshi	1,606	605	1,408	803	-do-
	Muhamamd Asim Mumtaz	2,521	1,563	1,563	-	-do-
	Adnan Naseer	1,715	1,116	1,650	534	-do-
	Mohsin Jamshed	2,095	1,492	2,277	785	-do-
	Muhammad Yousuf	1,673	538	1,290	752	-do-

18.2 Capital work-in-progress

2020 (Rupees in thousand)

	Balance as at July 1, 2019	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Transfers to stores, spare parts and loose tools	Balance as at June 30, 2020
Civil works	997,839	592,425	74,564	(113)	2,047,729	(3,069,651)	-	-	642,793
Plant and machinery	1,728,297	4,603,693	-	(11,510)	(2,024,670)	(11,052)	(435,020)	(71,118)	3,778,620
Advances to suppliers and contractors	236,442	534,575	-	-	(568,403)	-	-	-	202,614
Others	48,319	16,374	-	-	(46,494)	(1,585)	-	-	16,614
Expansion Project:									
- Civil works	-	397,735	-	-	568,402	-	-	-	966,137
- Plant and machinery	-	573,559	27,917	-	23,436	-	-	-	624,912
- Others	-	137,896	-	-		-	-	-	137,896
	-	1,109,190	27,917	-	591,838	-	-	-	1,728,945
	3,010,897	6,856,257	102,481	(11,623)	-	(3,082,288)	(435,020)	(71,118)	6,369,586

2019 (Rupees in thousand)

	Balance as at July 1, 2019	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Charged off during the year	Transfers within capital work-in-progress	Transfers to operating fixed assets	Transfers to major spare parts and stand by equipment	Transfers to stores, spare parts and loose tools	Balance as at June 30, 2020
Civil works	224,683	974,048	-	-	27,457	(228,349)	-	-	997,839
Plant and machinery	761,287	2,442,800	-	-	414,374	(1,126,124)	(764,040)	-	1,728,297
Advances to suppliers and contractors	17,565	816,782	-	-	(533,587)	(8,611)	(55,707)	-	236,442
Others	1,585	35,325	11,409	-	-	-	-	-	48,319
Expansion Project:									
- Civil works	496,086	1,293,880	-	(263)	262,146	(2,051,849)	-	-	-
- Plant and machinery	304,763	211,847	-	-	1,004,700	(1,521,310)	-	-	-
- Advances to suppliers and contractors	1,175,090	-	-	-	(1,175,090)	-	-	-	-
- Others	-	764,884	-	-	-	(764,884)	-	-	-
	1,975,939	2,270,611	-	(263)	91,756	(4,338,043)	-	-	-
	2,981,059	6,539,566	11,409	(263)	-	(5,701,127)	(819,747)	-	3,010,897

	2020	2019
	(Rupees in thousand)	

18.3 Major spare parts and stand-by equipment

The reconciliation of carrying amount is as follows:		
Balance at the beginning of the year	42,308	91,766
Additions during the year	728,837	441,880
	771,145	533,646
Transfers made during the year	(578,645)	(491,338)
Balance at the end of the year	192,500	42,308

18.4 All operating fixed assets of cement and paper segments are pledged as security against long term finances as referred to in note 7.

19. This represents dairy livestock. It consists of the following:

- Mature		664,297	628,302
- Immature		213,388	198,687
- Bulls		3,655	499
	- note 19.1	881,340	827,488

19.1 Reconciliation of carrying amounts of dairy livestock

Opening balance		827,488	636,403
Fair value gain due to new births		90,347	77,658
Changes in fair value (due to price change, exchange fluctuations and biological transformation)	- notes 19.3 & 19.4	214,909	258,081
		305,256	335,739
Decrease due to deaths/ livestock losses		(45,217)	(21,099)
Decrease due to sale of livestock		(206,187)	(123,555)
		(251,404)	(144,654)
Carrying amount at the end of the year which approximates the fair value		881,340	827,488

19.2 As at June 30, 2020, the Group held 2,957 (2019: 2,959) mature assets able to produce milk and 2,670 (2019: 2,677) immature assets that are being raised to produce milk in the future. During the year, 1043 (2019: 890) cows were sold. During the year, the Group produced approximately 25.159 million (2019: 24.143 million) gross liters of milk from these biological assets. As at June 30, 2020, the Group also held 48 (2019: 45) immature male calves.

19.3 The valuation of dairy livestock as at June 30, 2020 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the key assumptions and estimates and relied on the representations made by the Group as at June 30, 2020. Further, in the absence of an active market of the Group's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in Netherlands and Australia, have been used as basis of valuation model by the independent valuer. The cost of transportation to Pakistan is also considered. The milking animals have been classified according to their lactations. As the number of lactations increase, the fair value keeps on decreasing.

19.4 This includes exchange gain on translation amounting to Rs 44.512 million (2019: Rs 198.845 million).

		2020	2019
		(Rupees in thousand)	

20. Investments

These represent the long term investments in:

		2020	2019
- Related parties	- note 20.1	9,480,285	9,899,326
- Others	- note 20.2	93,455	130,481
		9,573,740	10,029,807

20.1 Related parties

		2020	2019
FVOCI - quoted:			
Nishat (Chunian) Limited 7,173,982 (2019: 7,173,982) fully paid ordinary shares of Rs 10 each Equity held: 2.99% (2019: 2.99%) Cost - Rs 75.565 million (2019: Rs 75.565 million)		232,796	251,233
MCB Bank Limited 22,192,793 (2019: 22,129,793) fully paid ordinary shares of Rs 10 each Equity held: 1.87% (2019: 1.87%) Cost - Rs 305.113 million (2019: Rs 294.838 million)		3,596,786	3,860,543
Adamjee Insurance Company Limited 27,877,735 (2019: 27,877,735) fully paid ordinary shares of Rs 10 each Equity held: 7.97% (2019: 7.97%) Cost - Rs 1,239.698 million (2019: Rs 1,239.698 million)		923,032	977,115
Nishat Mills Limited 30,289,501 (2019: 30,289,501) fully paid ordinary shares of Rs 10 each Equity held: 8.61% (2019: 8.61%) Cost - Rs 1,326.559 million (2019: Rs 1,326.559 million)		2,362,884	2,827,222
	sub-total	7,115,498	7,916,113
FVOCI - unquoted:			
Nishat Hotels and Properties Limited 104,166,667 (2019: 104,166,667) fully paid ordinary shares of Rs 10 each Equity held: 10.42% (2019: 10.42%) Cost - Rs 1,041.667 million (2019: Rs 1,041.667 million)	- note 20.1.1	1,452,837	1,433,213
Hyundai Nishat Motor (Private) Limited 74,750,000 (2019: 55,000,000) fully paid ordinary shares of Rs 10 each Equity held: 10% (2019: 10%) Cost - Rs 747.5 million (2019: Rs 550 million)	- note 20.1.2	911,950	550,000
		2,364,787	1,983,213
		9,480,285	9,899,326

20.1.1 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of 'Nishat Emporium'. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Group has estimated a fair value of Rs 13.95 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 46.3 to these consolidated financial statements. The fair value gain of Rs 19.624 million is included in the fair value gain recognised during the year in other comprehensive income.

The main level 3 inputs used by the Group are derived and evaluated as follows:

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

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

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

- Discount rate of 8.74% per annum.

- Long term growth rate of 2% per annum for computation of terminal value.

- Annual growth in costs is linked to inflation at 5.60% per annum.

- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 4.50% to 10% per annum depending upon inflation and other factors.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 327.593 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 186.736 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 86.697 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 67.611 million lower.

20.1.2 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited ('HNMPL') that has setup up a greenfield project for assembly and sales of Hyundai Motor Company passenger and commercial vehicles. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Group has estimated a fair value of Rs 12.20 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 46.3 to these consolidated financial statements. The fair value gain of Rs 164.45 million is included in the fair value gain recognised during the year in other comprehensive income.

The main level 3 inputs used by the Group are derived and evaluated as follows:

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

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

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

- Discount rate of 14.87% per annum.

- Long term growth rate of 2% per annum for computation of terminal value.

- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 138.288 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 84.468 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 36.628 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs 17.94 million higher.

		2020	2019
		(Rupees in thousand)	
20.2	**Others**		
	FVOCI - quoted:		
	Pakistan Petroleum Limited		
	821,626 (2019: 684,689) fully paid ordinary shares of Rs 10 each Equity held: 0.03% (2019: 0.03%) Cost - Rs 117.405 million (2019: Rs 117.405 million)	71,299	98,890
	United Bank Limited 214,354 (2019: 214,354) fully paid ordinary shares of Rs 10 each Equity held: 0.02% (2019: 0.02%) Cost - Rs 33.646 million (2019: Rs 33.646 million)	22,156	31,591
		93,455	130,481
20.3	**Reconciliation of carrying amount**		
	Balance as at beginning of the year	10,029,807	13,859,552
	Investments made during the year	207,776	472,967
		10,237,583	14,332,519
	Fair value loss recognized in other comprehensive income	(663,843)	(4,302,712)
	Balance as at end of the year	9,573,740	10,029,807

20.4 3,860,267 (2019: 3,860,267) shares of MCB Bank Limited are blocked in Central Depository Company ('CDC') account.

21. Long term loans to employees

These represent interest free loans given to employees for house building and purchase of motor vehicles and are recoverable in equal monthly instalments over a period of 24 to 96 months. The loans are secured against the employees' respective retirement benefits and are given as per Group's policy. These loans have not been carried at amortised cost as the effect of discounting is not considered material.

22. Stores, spares and loose tools

		2020	2019
		(Rupees in thousand)	
Stores [including in transit Rs 16.973 million (2019: Rs 5.563 million)]		2,512,277	4,603,721
Spare parts [including in transit Rs 281.543 million (2019: Rs 197.485 million)]		5,890,759	4,788,738
Loose tools		58,766	47,215
		8,461,802	9,439,674

22.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

23. Stock-in-trade

		2020	2019
		(Rupees in thousand)	
Raw materials [including in transit Rs 225.540 million (2019: Rs 469.870 million)]		933,730	1,677,549
Packing material		355,339	226,316
Animal forage		374,574	286,023
Work-in-process	- notes 23.1 & 23.2	3,361,646	2,802,481
Finished goods		470,336	493,693
		5,495,625	5,486,062

23.1 Includes clinker costing Rs 263.423 million (2019: Nil) carried at its NRV amounting to Rs 237.15 million (2019: Nil). The NRV write down expense of Rs 26.272 million (2019: Nil) has been charged to cost of sales.

23.2 Includes clinker having a carrying value of Rs 3,329.582 million (2019: Rs 2,755.69 million), some of which may be sold in its current state but is not distinguishable.

24. Trade debts

		2020	2019
		(Rupees in thousand)	
Considered good			
Secured		2,507,730	1,705,088
Unsecured			
- Related parties	- note 24.1	19,906	13,468
- Others		744,011	30,274
		3,271,647	1,748,830
Loss allowance	- note 24.2	(228,657)	(70,451)
		3,042,990	1,678,379

	2020	2019
	(Rupees in thousand)	

24.1 This is from the following related parties:

	2020	2019
Nishat Hospitality (Private) Limited	107	536
Nishat Linen (Private) Limited	167	265
Nishat Hotels and Properties Limited	1,154	2,780
Nishat Mills Limited	14,723	5,060
Nishat Power Limited	-	152
Hyundai Nishat Motor (Private) Limited	3,347	4,287
Nishat (Chunian) Limited	269	388
Nishat Agriculture Farming (Private) Limited	139	-
	19,906	13,468

24.1.1 The maximum aggregate amount outstanding at the end of any month during the year was Rs 32.983 million (2019: Rs 23.718 million). The aging analysis of trade debts from related parties that are past due and carry loss allowance is as follows:

	2020	2019
	(Rupees in thousand)	
Up to 90 days	15,845	13,256
91 to 180 days	2,958	212
181 to 365 days	916	-
Above 365 days	187	-
	19,906	13,468
Loss allowance	(1,826)	(142)
	18,080	13,326

24.2 The reconciliation of loss allowance is as follows:

	2020	2019
Balance at the beginning of the year	70,451	3,466
Effect of change in accounting policy due to adoption of IFRS 9	-	44,642
Balance as at beginning of the year under IFRS 9	70,451	48,108
Impairment loss during the year	158,206	22,343
Balance as at end of the year	228,657	70,451

25. This represents the Group's right to consideration for work completed but not billed at the reporting date on made to order paper products.

		2020	2019
		(Rupees in thousand)	
26. Investments			
FVOCI - quoted:			
Related parties	- note 26.1	13,126,388	14,129,075
At FVPL			
Others		20	24
		13,126,408	14,129,099

	2020	2019
	(Rupees in thousand)	

26.1 This represents the following quoted investments in other related parties:

	2020	2019
Nishat (Chunian) Limited		
100,620 (2019: 100,620) fully paid ordinary shares of Rs 10 each		
Equity held: 0.042% (2019: 0.042%)		
Cost - Rs 0.832 million (2019: Rs 0.832 million)	3,265	3,524
MCB Bank Limited		
80,971,917 (2019: 80,971,917) fully paid ordinary shares of Rs 10 each		
Equity held: 6.83% (2019: 6.83%)		
Cost - Rs 478.234 million (2019: Rs 478.234 million)	13,123,123	14,125,551
	13,126,388	14,129,075

26.2 Reconciliation of carrying amount

	2020	2019
Opening balance	14,129,099	16,018,629
Fair value loss recognized in other comprehensive income	(1,002,688)	(1,889,519)
Fair value loss recognized in profit or loss	(3)	(11)
Closing balance	13,126,408	14,129,099

27. Loans, advances, deposits, prepayments and other receivables

		2020	2019
Current portion of loans to employees		3,813	1,290
Advances			
- To employees		14,395	25,456
- To suppliers		93,240	169,801
		107,635	195,257
Prepayments		7,266	22,378
Due from related parties	- note 27.1	7,773	10,937
Letters of credit - margins, deposits, opening charges, etc.		1,504	266,751
Balances with statutory authorities:			
- Sales tax	- notes 27.2 & 27.3	565,477	1,050,818
- Excise duty		173,957	19,551
- Export rebate		2,809	8,176
		742,243	1,078,545
Other receivables			
- Considered good	- note 27.4	25,205	10,861
- Considered doubtful		(1,342)	(1,342)
		23,863	9,519
		894,097	1,584,677
Loss allowance		(523)	(1,342)
		893,574	1,583,335

	2020	2019
	(Rupees in thousand)	

27.1 Includes amounts due from the following related parties:

	2020	2019
Nishat Hotels and Properties Limited	5,850	10,937
Nishat Linen (Private) Limited	1,624	-
Nishat Sutas Dairy Limited	232	-
Nishat Agriculture Farming (Private) Limited	67	-
	7,773	10,937

27.1.1 The maximum aggregate amount outstanding at the end of any month during the year was 14.326 million (2019: Rs 10.937 million). The aging analysis of due from related parties that are past due is as follows:

	2020	2019
	(Rupees in thousand)	
Up to 90 days	6,149	10,937
91 to 180 days	1,624	-
	7,773	10,937

27.2 Sales tax recoverable includes amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Group has filed appeals against the demands at different forums as referred to in note 17.

27.3 The vires of section 8(h) and (i) of the Sales Tax Act, 1990 (the "Sales Tax Act"), in the context of disallowance of adjustment of input tax on goods used for taxable services, was called in question by the Group. The honourable Lahore High Court vide its order dated January 29, 2020 on the basis of its reading of sections 7 and 8 of the Sales Tax Act, observed that input tax paid on goods can be deducted or reclaimed, only if such goods are used for the purpose of taxable supplies. Thus, in light of the said observation, the case was disposed of with a direction to the tax authorities to determine each and every case on its merits and allow adjustment of input tax on goods used for taxable supplies. Management is confident that the input tax already claimed shall not be disallowed by the relevant tax authorities.

27.4 Includes provident fund contribution deposited in advance with employees' provident fund amounting to Rs 14.577 million (2019: Nil) and a receivable of Rs 7.92 million (2019: Nil) from Hyundai Nishat Motor (Private) Limited, related party. The maximum aggregate amount deposited in advance with the employees' provident fund at the end of any month during the year was Rs 52.882 million (2019: Nil), whereas, the maximum aggregate amount outstanding at the end of any month during the year of Hyundai Nishat Motor (Private) Limited, related party, was Rs 7.92 million (2019: Nil). These amounts are neither past due nor impaired.

28. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party, for meeting its working capital requirements. The outstanding amount is due for repayment by October 27, 2020 in accordance with the extension granted in Annual General Meeting of the Group held on October 28, 2019. It carried mark-up at the rate of 1 month KIBOR + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. The loan is secured through corporate guarantee of 110% of the loan amount issued by NHPL in favour of the Group. The effective mark-up rate charged during the period was 13.65% per annum which is above the borrowing cost of the Group. In case of default in payment of principal or mark-up, NHPL shall be liable to pay additional sum equivalent to 7.5% per annum of respective amount of default. Reconciliation of the carrying amount is as follows:

	2020	2019
	(Rupees in thousand)	
Opening balance	1,000,000	1,000,000
Recovery during the year	(235,000)	-
Closing balance	765,000	1,000,000

		2020	2019
		(Rupees in thousand)	

29. Cash and bank balances

		2020	2019
At banks:			
Saving accounts			
Local currency	- notes 29.1, 29.2 & 29.3	79,125	145,942
Foreign currency: US$ 638,856 (2019: US$ 832,288)		107,399	133,209
Current accounts		498,760	500,457
		685,284	779,608
In hand		2,707	3,642
		687,991	783,250

29.1 The balances in saving accounts bear mark-up ranging from 5.5% to 11.25% per annum (2019: 8% to 10.5% per annum).

29.2 Included in balances at banks on saving accounts are Rs 14.480 million (2019: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 13.4.

29.3 Included in balances at banks in saving accounts is Rs 34 million (2019: Nil) which relates to unpaid dividend held by the Group in compliance with section 244 of the Companies Act, 2017 referred to in note 16.

		2020	2019
		(Rupees in thousand)	

30. Sales

		2020	2019
Local sales		52,934,427	56,489,566
Export sales	- note 30.1	9,385,261	5,262,964
		62,319,688	61,752,530
Less:			
Sales tax		9,271,804	9,648,487
Excise duty		10,708,220	8,026,605
Trade discount		570,316	-
Commission to stockists and export agents		176,662	450,431
		20,727,002	18,125,523
		41,592,686	43,627,007

30.1 Export sales include rebate on exports amounting to Rs 4.68 million (2019: Rs 8.41 million).

		2020	2019
		(Rupees in thousand)	

31. Cost of sales

		2020	2019
Raw and packing materials consumed		4,868,929	4,914,536
Forage		1,299,932	1,023,706
Medicines and related items		133,194	104,408
Salaries, wages and other benefits	- note 31.1	3,581,363	3,361,149
Fuel and power		21,051,715	21,817,354
Stores and spares consumed		2,980,272	3,419,874
Repairs and maintenance		448,702	500,817
Insurance		125,516	105,724
Depreciation on operating fixed assets	- note 18.1.3	3,851,776	3,688,264
Royalty	- note 31.2	1,228,600	748,261
Excise duty		52,593	48,855
Vehicle running		136,039	106,766
Postage, telephone and telegram		13,867	12,316
Printing and stationery		14,371	22,588
Legal and professional charges		8,704	7,697
Travelling and conveyance		19,383	27,519
Plant cleaning and gardening		34,876	35,857
Rent, rates and taxes	- note 31.3	171,265	150,322
Technical consultancy charges		-	6,957
Freight charges		59,743	86,845
Water charges		21,492	124,438
Other expenses		110,727	130,874
		40,213,059	40,445,127
Opening work-in-process	- note 23	2,802,481	493,431
Closing work-in-process	- note 23	(3,361,646)	(2,802,481)
		(559,165)	(2,309,050)
Cost of goods manufactured		39,653,894	38,136,077
Opening stock of finished goods	- note 23	493,693	447,008
Closing stock of finished goods	- note 23	(470,336)	(493,693)
		23,357	(46,685)
Own consumption		(50,341)	(136,585)
		39,626,910	37,952,807

31.1 Salaries, wages and other benefits include Rs 83.939 million (2019: Rs 73.196 million), Rs 92.812 million (2019: Rs 62.238 million) and Rs 46.355 million (2019: Rs 66.694 million) in respect of provident fund contribution by the Group, provision for gratuity and accumulating compensated absences respectively as detailed below.

	2020	2019
	(Rupees in thousand)	

31.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2020	2019
Gratuity		
Current service cost	62,244	52,409
Interest cost for the year	75,221	39,351
Interest income on plan assets	(44,653)	(29,522)
	92,812	62,238
Accumulating compensated absences		
Current service cost	41,454	37,806
Interest cost for the year	13,886	7,281
Remeasurements	(8,985)	21,607
	46,355	66,694

31.2 This represents royalty to Governments of Punjab and Balochistan for extraction of raw materials as per relevant laws.

31.3 This includes rentals of heavy machinery used at quarry site where raw materials i.e. clay and limestone, are extracted.

32. Administrative expenses

		2020	2019
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 32.1	413,488	409,103
Electricity, gas and water		28,134	24,393
Repairs and maintenance		9,451	5,023
Insurance		12,045	6,160
Depreciation on operating fixed assets	- note 18.1.3	83,288	74,556
Vehicle running		13,197	14,287
Postage, telephone and telegram		7,517	9,225
Printing and stationery		22,327	8,963
Legal and professional services	- note 32.2	25,307	29,635
Travelling and conveyance		43,267	41,726
Rent, rates and taxes		421	387
Entertainment		4,341	4,494
School expenses		38,057	34,589
Fee and subscription		31,090	28,719
Other expenses		9,947	19,862
		741,877	711,122

32.1 Salaries, wages and other benefits include Rs 13.796 million (2019: Rs 13.250 million), Rs 16.007 million (2019: Rs 11.442 million) and Rs 8.405 million (2019: Rs 12.268 million) in respect of provident fund contribution by the Group, provision for gratuity and accumulating compensated absences respectively as detailed below.

		2020	2019
		(Rupees in thousand)	

32.1.1 Salaries, wages and other benefits

	2020	2019
Salaries, wages and other benefits include the following in respect of retirement benefits:		
Gratuity		
Current service cost	10,735	9,635
Interest cost for the year	12,973	7,234
Interest income on plan assets	(7,701)	(5,427)
	16,007	11,442
Accumulating compensated absences		
Current service cost	7,516	6,955
Interest cost for the year	2,518	1,339
Remeasurements	(1,629)	3,975
	8,405	12,269

32.2 Legal and professional charges

Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:

	2020	2019
Statutory audits	4,736	4,437
Half-yearly review	850	806
Tax services	4,558	5,459
Certifications required under various regulations	470	405
Out of pocket expenses	935	1,546
	11,549	12,653

33. Selling and distribution expenses

		2020	2019
Salaries, wages and other benefits	- note 33.1	214,195	188,404
Electricity, gas and water		2,740	2,912
Repairs and maintenance		1,437	737
Insurance		3,484	2,700
Depreciation on operating fixed assets	- note 18.1.3	7,903	8,617
Vehicle running		6,280	5,994
Postage, telephone and telegram		4,015	3,578
Printing and stationery		1,938	2,285
Rent, rates and taxes	- note 33.2	6,619	10,095
Travelling and conveyance		3,811	4,856
Entertainment		1,522	1,814
Advertisement and sales promotion		13,909	58,813
Freight and handling charges		1,495,298	1,020,456
Other expenses		23,754	19,723
		1,786,905	1,330,984

33.1 Salaries, wages and other benefits include Rs 8.92 million (2019: Rs 7.568 million), Rs 9.85 million (2019: Rs 6.447 million) and Rs 4.901 million (2019: Rs 6.936 million) in respect of provident fund contribution by the Group, provision for gratuity and accumulating compensated absences respectively as detailed below.

	2020	2019
	(Rupees in thousand)	

33.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2020	2019
Gratuity		
Current service cost	6,606	5,429
Interest cost for the year	7,983	4,075
Interest income on plan assets	(4,739)	(3,057)
	9,850	6,447
Accumulating compensated absences		
Current service cost	4,383	3,932
Interest cost for the year	1,468	757
Remeasurements	(950)	2,247
	4,901	6,936

33.2 This includes lease rentals of Rs 5.636 million (2019: Rs 6.098 million).

34. Other expenses

		2020	2019
		(Rupees in thousand)	
Workers' profit participation fund	- note 11.3	9,747	112,078
Workers' welfare fund		3,899	-
Donations	- note 34.1	2,410	101,254
Exchange loss	- note 34.2	526,828	235,427
Loss on disposal of operating fixed assets	- note 18.1.5	34,552	-
Loss on disposal of biological assets		131,785	81,621
Loss on sale of store items		1,020	-
Advances written off		643	-
Fair value loss on investments at FVPL		3	11
Others		12	61
		710,899	530,452

34.1 Includes donation amounting to Rs 1.5 million (2019: Nil) made to Pakistan Agricultural Coalition. None of the directors or their spouses have any interest in the donee.

34.2 Includes exchange loss incurred on foreign currency short term borrowings amounting to Rs 502.145 million (2019: Rs 179.433 million).

		2020	2019
		(Rupees in thousand)	

35. Other income

		2020	2019
Income on bank deposits		3,881	9,419
Provisions and unclaimed balances written back		1,758	158,671
Mark-up on loan to related party	- note 35.1	112,322	102,833
Gain on disposal of operating fixed assets		-	28,108
Gain on disposal of store items		-	202
Dividend income from:			
- Related parties	- note 35.2	2,065,493	1,901,186
- Others		3,942	3,144
		2,069,435	1,904,330
Scrap sales		234,894	238,644
Rental income		1,217	538
Sale of bull calves		9,338	9,730
Others		883	22,284
		2,433,728	2,474,759

35.1 This is from Nishat Hotels and Properties Limited, a related party, on the loan as referred to in note 28.

	2020	2019
	(Rupees in thousand)	

35.2 Dividend income from related parties

	2020	2019
Nishat Mills Limited	121,158	143,875
MCB Bank Limited	1,856,454	1,649,228
Adamjee Insurance Company Limited	69,694	68,073
Nishat (Chunian) Limited	18,187	40,010
	2,065,493	1,901,186

36. Finance cost

		2020	2019
Interest and mark-up on:			
- Long term loans - secured		2,756,652	2,087,648
- Short term borrowings - secured		2,324,669	1,486,731
- Workers profit participation fund	- note 11.3	8,534	-
Guarantee commission		104	11,283
Bank charges		21,391	24,082
		5,111,350	3,609,744

37. Taxation

		2020	2019
Current			
- For the year		92,751	15,397
- Prior years		(1,611)	11,334
		91,140	26,731
Deferred	- note 10	(1,666,956)	388,439
		(1,575,816)	415,170

	2020 %	2019 %
37.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate as per Income Tax Ordinance, 2001	29.00	29.00
Tax effect of:		
- Amounts that are not deductible for tax purposes - net	(0.93)	1.11
- Change in prior years' tax	6.74	(47.75)
- Change in tax rate	-	54.63
- Amounts that are allowable as tax credit	-	(6.03)
- Income chargeable under final tax regime	6.98	(9.08)
- Losses for which no deferred tax asset recognised	(0.69)	0.62
- Deferred tax asset previously not recognised now recognised	0.19	(4.09)
- Deferred tax recognised on depreciation losses	0.12	-
- Others	-	(0.20)
	12.41	(10.79)
Average effective tax rate	41.41	18.21

38. Earnings per share

38.1 (Loss)/earnings per share - basic

(Loss)/profit for the year - attributable to owners of the parent company	**Rupees**	(2,210,610,000)	1,823,373,000
Weighted average number of ordinary shares	**Number**	438,119,118	438,119,118
(Loss)/earnings per share - basic	**Rupees**	(5.05)	4.16

38.2 Earnings per share - Diluted

There is no dilution effect on the basic (loss)/earnings per share as the Group has no such commitments.

	2020	2019
	(Rupees in thousand)	

39. Cash generated from operations

		2020	2019
(Loss)/profit before tax		(3,805,001)	2,280,053
Adjustments for:			
- Depreciation on operating fixed assets		3,942,967	3,771,436
- Change in fair value of investments - FVPL		3	-
- Loss/(gain) on disposal of operating fixed assets		34,552	(28,108)
- Loss on disposal of biological assets		131,785	81,621
- Changes in fair value of biological assets		(305,256)	(335,739)
- Dividend income		(2,069,435)	(1,904,330)
- Mark-up income		(112,322)	(102,833)
- Provision for retirement benefits		178,330	166,026
- Net realizable value written-down expense		26,272	-
- Net impairment losses on financial assets		158,730	22,343
- Exchange loss		526,828	235,427
- Finance costs		5,111,350	3,609,744
Profit before working capital changes		3,818,803	7,795,640
Effect on cash flow due to working capital changes			
- Decrease/(increase) in stores, spares and loose tools		977,872	(4,167,482)
- Increase in stock-in-trade		(35,835)	(3,057,862)
- Increase in trade debts		(1,473,187)	(1,274,272)
- Decrease in advances, deposits, prepayments and other receivables		686,597	1,245,699
- Increase in trade and other payables		2,885,094	562,128
		3,040,541	(6,691,789)
		6,859,344	1,103,851

40. Cash and cash equivalents

		2020	2019
Cash and bank balances	- note 29	687,991	783,250
Short term borrowings - secured	- note 13	(25,849,525)	(22,851,016)
		(25,161,534)	(22,067,766)

41. Remuneration of Chief Executive, Directors and Executives

41.1 The aggregate amounts charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Executive Director and Executives are as follows:

	(Rupees in thousand)					
	Chief Executive		Executive Directors		Executives	
	2020	2019	2020	2019	2020	2019
Short term employee benefits						
Managerial remuneration	25,898	23,544	19,380	17,256	510,372	461,661
Housing	270	270	335	335	175,280	152,149
Utilities	14,991	7,496	1,220	206	36,566	30,870
Leave passage	-	-	2,261	959	14,874	11,450
Bonus	2,158	4,455	1,615	1,307	76,439	93,852
Medical expenses	536	589	501	463	16,571	15,290
Others	16,996	15,426	710	981	124,688	117,868
Post employment benefits						
Contributions to Provident and Gratuity Fund	-	-	3,553	3,164	72,680	62,357
	60,849	51,780	29,575	24,671	1,027,470	945,497
Number of persons	**1**	**1**	**1**	**1**	**205**	**185**

41.2 The Group also provides the Chief Executive, certain directors and executives with company maintained cars, travelling and utilities. Certain executives are provided with housing facilities.

41.3 During the year, the Group paid meeting fee amounting to Rs 990,000 (2019: Rs 750,000) to its non-executive directors. The number of non-executive directors is 5 (2019: 5).

42. Transactions with related parties

The related parties include the Investor, related parties on the basis of common directorship, group companies, key management personnel including directors, other related parties and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise). The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these consolidated financial statements other than the following:

Relationship with the group	Nature of transactions	2020	2019
		(Rupees in thousand)	
i. Investor	Sale of goods	38,629	53,519
	Dividend paid	137,574	496,987
	Purchase of goods	493	-
ii. Other related parties	Sale of goods and services	45,518	135,267
	Insurance premium	154,676	23,861
	Purchase of goods and services	289,974	224,964
	Insurance claims received	35	8,944
	Dividend paid	9,478	35,696
	Sale of fixed assets and store items	299	-
ii. Key management personnel	Remuneration - note 41.1	252,090	255,680
	Dividend paid	39,941	169,750

42.1 This represents remuneration of the Chief Executive, executive director and certain executives that are included in the remuneration disclosed in note 41 to these consolidated financial statements.

42.2 The related parties with whom the Group had entered into transactions or had arrangements/agreements in place during the year have been disclosed below along with their basis of relationship:

Name	Basis of relationship	%age of shareholding in the parent Company
Nishat Mills Limited	Investor	31.40%
Adamjee Insurance Company Limited	Group company	0.77%
MCB Bank Limited	Group company	0%
Pakgen Power Limited	Group company	N/A
Pakistan Aviators & Aviation (Private) Limited	Group company	N/A
Security General Insurance Company Limited	Group company	N/A
Hyundai Nishat Motor (Private) Limited	Common directorship	N/A
Lalpir Power Limited	Common directorship	N/A
Nishat (Chunian) Limited	Common directorship	N/A
Nishat Agriculture Farming (Private) Limited	Common directorship	N/A
Nishat Developers (Private) Limited	Common directorship	N/A
Nishat Hotels And Properties Limited	Common directorship	N/A
Nishat Hospitality (Private) Limited	Subsidairy of Investor	N/A
Nishat Linen (Private) Limited	Subsidairy of Investor	N/A
Nishat Power Limited	Subsidairy of Investor	N/A
Mrs. Naz Mansha	Director/Chairperson	0.03%
Mr. Mahmood Akhtar	Director	N/A
Mr. Shahzad Ahmad Malik	Director	N/A
Mr. Khalid Niaz Khawaja	Director	N/A
Mr. Usama Mahmud	Director	N/A
Mr. Mian Raza Mansha	Director/Chief Executive	2.92%
Mr. Farid Noor Ali Fazal	Director	N/A
Mrs. Ammil Raza Mansha	Spouse of Chief Executive	1.34%
Mr. Mian Umer Mansha	Close family member of Chief executive and a Director	6.29%
Mr. Arif Bashir	Key Management Personnel	N/A
Mr. Aftab Ahmad Khan	Key Management Personnel	N/A
Mr. Inayat Ullah Niazi	Key Management Personnel	0.00%
Company's Employees Gratuity Fund	Post Employment Benefit Plan	N/A
Company's Employees Provident Fund	Post Employment Benefit Plan	0.02%

43. Plant capacity and actual production

		Capacity		Actual production	
		2020	2019	2020	2019
Cement segment:					
Clinker (Metric Tonnes)					
Plant I & II - D. G. Khan	- note 43.1	2,010,000	2,010,000	1,898,897	1,935,296
Plant III - Khairpur	- note 43.1	2,010,000	2,010,000	2,042,177	1,962,150
Plant IV - Hub	- note 43.1	2,700,000	2,700,000	2,900,890	2,483,452
Cement (Metric Tonnes)					
Plant I & II - D. G. Khan	- note 43.2	2,115,790	2,115,790	2,121,389	1,908,921
Plant III - Khairpur	- note 43.2	2,115,789	2,115,789	2,127,003	2,128,277
Plant IV - Hub	- note 43.2	2,842,105	2,842,105	1,262,033	1,576,452
Paper segment:					
Cement bags (number of bags in thousand)	- note 43.3	220,000	220,000	128,014	123,360
Dairy segment:					
Milk - litres	- note 43.4	36,500,000	36,500,000	25,197,060	24,143,820

43.1 Normal capacity is based on 300 working days, that can be exceeded if the plant is operational for more than 300 days during the year.

43.2 Normal capacity is based on 300 working days, that can be exceeded if the plant is operational for more than 300 days during the year. Actual production is less than the installed capacity due to planned maintenance shutdown and gap between market demand and supply of cement.

43.3 Lower capacity utilization is due to gap between demand and supply of the products.

43.4 Actual milk production is lower due to the mortality of milking cows and poor health of the animals.

	2020	2019
44. Number of employees		
Total number of employees as at June 30	2,212	2,177
Average number of employees during the year	2,193	2,058

45. Provident Fund related disclosures

45.1 Cement segment

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder except for:

- Total investment at the time of making investment in listed equity securities and equity collective investment schemes, registered as notified entity with the SECP under Non-Banking Finance Companies and Notified Entities Regulations, 2008, exceed 30% of the size of the fund;

- Some of the investment made in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities are not assigned a minimum rating of “A” by a credit rating company licensed with the SECP and with at least a stable outlook;

- Investment has been made in certain equity securities of listed companies which have paid average dividend of less than 15% to the shareholders during two out of the preceding three consecutive years and in which the minimum free float is less than 15% or Rs 50 million shares, whichever is higher;

- Investment is made in equity securities of listed companies, where such companies do not have breakup value equivalent or more than the par value of the shares of such company;

- The fund has aggregate investment in listed equity securities, other than equity collective investment schemes in excess of Rs 50 million but has not appointed or sought advice from an investment advisor holding a valid license from the SECP for providing investment advisory services; and

- Investment has been made in a listed debt security where the issuer of the security has defaulted in its financial obligations.

The fund has not developed and maintained appropriate investment policies explaining investment limit, investment avenues and risk appetite including but not limited to business allocation among the securities brokers.

However, as per S.R.O. 856(I)/2019 dated July 25, 2019, a transition period of three years from the date of the said S.R.O. has been granted to bring all the investments of the fund in conformity with the provisions of the above regulations. The above analysis is based on the unaudited financial statements of the Provident Fund for the year ended June 30, 2020.

45.2 Paper segment

The investments by the Provident Fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder. The above analysis is based on the audited financial statements of the Provident Fund for the year ended June 30, 2020.

45.3 Dairy segment

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder. The above analysis is based on the unaudited financial statements of the Provident Fund for the year ended June 30, 2020.

46. Financial risk management

46.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out by the Board of Directors ('the Board'). The Group's finance department evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management procedures to minimise the potential adverse effects of financial market on the Group's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from cash and bank balances, short term borrowings, receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to bank balances and amounts receivable from foreign entities and short term borrowings.

	2020	2019
	(USD In thousand)	
Financial assets		
Cash and bank balances	639	832
Receivable against sales to foreign parties	5,238	544
	5,877	1,376
Financial laibilities		
Short term borrowings - secured	(10,176)	(5,114)
Mark-up payable	(7)	-
Trade and other payables	-	(636)
	(10,183)	(5,750)
Net liability exposure	(4,306)	(4,374)

	2020	2019
	(EURO In thousand)	
Financial assets	-	-
Financial laibilities		
Finances under mark-up arrangements	(1,487)	(1,063)
Mark-up payable	(15)	(2)
Trade and other payables	(826)	(876)
	(2,328)	(1,941)
Net liability exposure	(2,328)	(1,941)

At June 30, 2020, if the Rupee had strengthened/weakened by 10% against the USD with all other variables held constant, post-tax loss for the year would have been Rs 51.362 million (2019: Rs 57.259 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD-denominated financial assets and liabilities.

At June 30, 2020, if the Rupee had strengthened/weakened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been Rs 31.231 million (2019: Rs 12.958 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as FVOCI and at FVPL. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's certain investments in equity instruments of other entities are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarises the impact of increases/decreases of the KSE-100 index on the Group's pre-tax loss for the year and on equity. The analysis is based on the assumption that the KSE had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Impact on pre-tax profit		Impact on other components of equity	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
Pakistan Stock Exchange Limited	2	2	1,443,810	1,803,161

Pre-tax loss for the year would increase/decrease as a result of losses/gains on equity securities classified as at fair value through profit or loss and such impact is considered to be immaterial.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from loan to related party, short term and long-term borrowings. These borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2020	2019
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	186,524	279,151
Financial liabilities		
Export finances	(3,883,500)	(1,290,000)
Net exposure	(3,696,976)	(1,010,849)

	2020	2019
	(Rupees in thousand)	
Floating rate instruments:		
Financial assets		
Loan to related party	765,000	1,000,000
Financial liabilities		
Long term finances - secured	(24,728,690)	(21,875,324)
Short term borrowings - secured	(21,966,025)	(21,561,016)
	(46,694,715)	(43,436,340)
Net exposure	(45,929,715)	(42,436,340)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2020, if interest rates on floating rate instruments had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been Rs 325.101 million (2019: Rs 301.298 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk of the Group arises from deposits with banks and other financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The carrying amount of financial asssets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020	2019
	(Rupees in thousand)	
Long term loans to employees	5,096	237
Long term deposits	57,908	60,733
Loan to related party	765,000	1,000,000
Trade debts	3,042,990	1,678,379
Contract assets	120,019	164,021
Deposits and other receivables	22,214	21,750
Balances with banks	685,284	779,608
	4,698,511	3,704,728

(ii) Impairment of financial assets

The Group's financial assets, other than investments in equity instruments, are subject to the expected credit losses model. While bank balances, loans to employees, loan to related party, deposits and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade debts

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained from these customers to calculate the net exposure towards these customers. The Group has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before June 30, 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the Consumer Price Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2020 and June 30, 2019 was determined as follows:

	Local sales			Export sales		
June 30, 2020	**Expected loss rate**	**Trade debts**	**Loss allowance**	**Expected loss rate**	**Trade debts**	**Loss allowance**
	%	**(Rupees in thousand)**		**%**	**(Rupees in thousand)**	
Net trade debts*						
Up to 30 days	1.01%	913,800	9,194	0%	797,661	-
31 to 60 days	2.21%	312,171	6,884	0%	-	-
61 to 90 days	6.33%	429,002	27,139	0%	-	-
91 to 120 days	11.50%	184,254	21,181	0%	-	-
121 to 150 days	13.06%	219,571	28,682	0%	-	-
151 to 180 days	32.45%	86,813	28,174	0%	8	-
181 to 210 days	44.63%	15,613	6,968	0%	-	-
211 to 240 days	56.31%	1,966	1,107	0%	-	-
241 to 270 days	66.41%	1,152	765	0%	-	-
271 to 300 days	74.43%	2,663	1,982	0%	-	-
301 to 330 days	84.92%	1,028	873	0%	-	-
331 to 360 days	93.21%	2,782	2,593	0%	-	-
Above 360 days	100.00%	10,488	10,488	100%	82,627	82,627
		2,181,303	146,030		880,296	82,627
Trade debts against which collateral is held		210,048	-		-	-
Gross trade debts		2,391,351	146,030		880,296	82,627

June 30, 2019	Local sales			Export sales		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Net trade debts*						
Up to 90 days	1.06%	1,475,289	15,691	1.12%	24,356	273
91 to 180 days	4.37%	68,439	2,990	19.42%	28,556	5,547
181 to 270 days	10.16%	32,016	3,253	25.64%	4,969	1,274
270 to 365 days	64.67%	1,053	681	50.00%	18	9
365 days or more	100.00%	11,492	11,492	100.00%	29,242	29,242
		1,588,289	34,107		87,141	36,345
Trade debts against which collateral is held		73,400	-		-	-
Gross trade debts		1,661,689	34,107		87,141	36,345

* This represents amounts net of trade debts against which security deposits and inland letters of credit, considered as collateral, are held amounting to Rs 169.048 million (2019: Rs 73.4 million) and Rs 41 million (2019: Nil), respectively.

The amount of loss allowance that best represents maximum exposure to credit risk at the end of the reporting period without taking into account any collateral is Rs 300.33 million (2019: Rs 71.693 million).

Default is triggered when more than 360 days have passed. The names of defaulting parties of outstanding trade debts from export sales and their respective default amount is as follows:

	2020	2019
	(Rupees in thousand)	
Nobel Translink Private Limited	20,086	4,480
Chempex Industries	3,937	3,748
Hizbullah & Saeed Ullah House Limited	393	374
Vikrant Traders	51,085	20,352
A A Middle East FZE	107	102
Taruna Trading Company	4,271	158
Sai Enterprises	305	-
Square Corporation	1,150	-
Société Kalfane Fils	190	-
Bulkcor	1,046	-
Others	57	28
	82,627	29,242

(iii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired (mainly bank balances) can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating		
	Short term	Long term	Agency	2020	2019
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	221,273	321,460
BankIslami Pakistan Limited	A1	A+	PACRA	2,167	1,146
The Bank of Punjab	A1+	AA	PACRA	1,634	1,394
The Bank of Khyber	A1	A	PACRA	265	530
Citibank N.A.	P-1	AA3	Moody's	12	12
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	2,685	596
MCB Bank Limited	A1+	AAA	PACRA	299,581	434,168
Habib Bank Limited	A-1+	AAA	JCR-VIS	59,227	-
Meezan Bank Limited	A-1+	AA+	JCR-VIS	14	13
National Bank of Pakistan	A1+	AAA	PACRA	3,732	1,598
Silk Bank Limited	A-2	A-	JCR-VIS	5	5
Soneri Bank Limited	A1+	AA-	PACRA	6,551	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	121	564
United Bank Limited	A-1+	AAA	JCR-VIS	33,155	14,572
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	27	27
Faysal Bank Limited	A1+	AA	PACRA	735	56
JS Bank Limited	A1+	AA-	PACRA	12	2
MCB Islamic Bank Limited	A1	A	PACRA	768	3,451
Samba Bank Limited	AA	A-1	JCR-VIS	4	4
Bank Al-Habib Limited	A1+	AA+	PACRA	53,316	-
				685,284	779,608

(c) Liquidity risk

Liquidity risk represents the risk that the Group shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Group's businesses, the Group's finance department maintains flexibility in funding by maintaining availability under committed credit lines. The Group's borrowing limits and cash and bank balances have been disclosed in notes 13 and 29 to these consolidated financial statements.

Management monitors the forecasts of the Group's cash and cash equivalents (note 40 to these consolidated financial statements) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring consolidated statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

July 01, 2020	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years	Total contractual cashflows	Carrying value
	(Rupees in thousand)					
Long term finances	2,049,484	5,923,449	15,573,672	1,182,085	24,728,690	24,728,690
Trade and other payables	8,805,077	-	-	-	8,805,077	8,805,077
Long term deposits	20,975	93,957	6,932	132,073	253,937	253,937
Accrued mark-up	803,423	-	-	-	803,423	803,423
Short term borrowings						
- secured	25,849,525	-	-	-	25,849,525	25,849,525
Loans from related parties						
- unsecured	214,000	-	-	-	214,000	214,000
	37,742,484	6,017,406	15,580,604	1,314,158	60,654,652	60,654,652

July 01, 2019	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years	Total contractual cashflows	Carrying value
	(Rupees in thousand)					
Long term finances	5,215,850	9,530,745	7,128,729	-	21,875,324	21,875,324
Trade and other payables	7,399,792	-	-	-	7,399,792	7,399,792
Long term deposits	89,556	6,608	6,608	139,271	242,043	242,043
Accrued mark-up	890,864	-	-	-	890,864	890,864
Short term borrowings						
- secured	22,851,016	-	-	-	22,851,016	22,851,016
Loans from related parties						
- unsecured	214,000	-	-	-	214,000	214,000
	36,661,078	9,537,353	7,135,337	139,271	53,473,039	53,473,039

46.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the consolidated statement of financial position). Net debt is calculated as total borrowings (including current and non-current borrowings) including bank overdraft less cash and bank balances and liquid investments.

The gearing ratios as at June 30, 2020 and 2019 were as follows:

		2020	2019
		(Rupees in thousand)	
Borrowings - notes 7, 13 & 14		50,792,215	44,940,340
Book overdraft		23,814	87,470
Cash and bank balances - note 29		(687,991)	(783,250)
Liquid investments - at fair value through profit or loss - note 26		(20)	(24)
Net debt		50,128,018	44,244,536
Total equity		68,673,790	73,038,845
Gearing ratio	**Percentage**	73%	61%

In accordance with the terms of agreement with the lenders of long term finances (as referred to in note 7 to these consolidated financial statements), the Group is required to comply with certain financial covenants. The Group has complied with these covenants throughout the reporting period except for certain covenants in respect of which the lenders have not raised any objection to the Group.

46.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

As at June 30, 2020	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investment - FVPL	20	-	-	20
Investments - FVOCI	20,335,341	-	2,364,787	22,700,128
Biological assets	-	-	881,340	881,340
Total assets	20,335,361	-	3,246,127	23,581,488
Total liabilities	-	-	-	-

As at June 30, 2019	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investment - FVPL	24	-	-	24
Investments - FVOCI	22,031,838	-	1,983,213	24,015,051
Biological assets	-	-	827,488	827,488
Total assets	22,031,862	-	2,810,701	24,842,563
Total liabilities	-	-	-	-

Movement in the above mentioned assets has been disclosed in notes 19, 20 and 26 to these consolidated financial statements and movement in fair value and FVOCI reserves has been disclosed in the consolidated statement of changes in equity. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. An appropriate discount for lack of control and lack of marketability is also applied, where relevant.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Valuation techniques used to measure level 3 assets

Investments - FVOCI

Since the ordinary shares of Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited are not listed, an investment advisor engaged by the Group has estimated fair values of Rs 13.95 and Rs 12.20 per ordinary share, respectively, as at June 30, 2020, through a valuation technique based on discounted cash flow analysis.

The method for calculation of fair value and valuation inputs including sensitivity analysis has been explained in note 20.1.1 to these consolidated financial statements.

Biological assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2020. Level 3 fair value of Biological assets has been determined using a standard average values from the heifer with 14 months of age (time where can be pregnant) as a starting point to define the values of the different categories of growing cattle and according to the age of cows. From this point, the value of the cattle ageing between 14 months to 24 months (where 24 months is the theoretical age of calving) by adding the feed costs, salaries, medical cost, operational cost and insemination cost required, to raise the heifer from this age to the specific age of calving calculated in 24 months. From this stage of 24 months, it also obtains the disposal values for an average mature cow according to age.

The fair value is also dependent on the age of the cattle. The milking animals have been classified according to their lactations. As the number of lactations increase, the fair value keeps on decreasing. To calculate the fair value of growing and small cattles ageing less than 14 months, the feed costs, salaries, operational and land rental costs are subtracted from the model used above. At the same time, a value was fixed on the calf heifer recently born according to the estimation and in relation with referential values of the similar cattle breeding in Pakistan.

When the cow arrives at 6 years i.e. 72 months of age or more (5th Lactation) and is considered an old cow as is usual in Pakistan, and if the cow remains in the farm because she is profitable, normally this is the stage of culling. The value of cow at this stage shall be kept constant.

To the international market value prices considered, need to add the cost of freight and internal transportation in Pakistan. The cattle prices in the international market has remained constant over the past year. The demand of the cattle in the Asian market has also remained approximately the same as last year.

a) Valuation inputs and relationship to fair value

The valuation inputs used in the calculation includes the farm cost to raise the heifer (as starting point) and according to actual cost in the farm and the analysis of the average international market prices adding the cost of shipping and transportation and other expenses to Pakistan. The market value of the heifers if sold in the local market was also taken into consideration and compared with the fair values assigned to them.

The actual value of the similar heifers imported by the Group placed in Pakistan is determined according to the quotation obtained from the cattle dealer's importers. However, the quotations available for these animals are usually for pregnant heifers and with the insurance factor covered in the price. Both of these factors are excluded when ascertaining the fair value of milking animals.

The milking performance for the Australian imported heifers, Dutch heifers and farm born heifers has been almost same throughout the year and hence same values have been ascertained for all the milking animals regardless of their categories but according to their lactation levels.

b) Fair value sensitivity analysis for biological assets

If the fair value of biological assets, at the year end date fluctuates by 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 8.813 million (2019: Rs 8.274 million) higher/lower mainly as a result of higher/lower fair value gain/(loss) on biological assets.

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

46.4 Financial instruments by categories

	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
	(Rupees in thousand)			
As at June 30, 2020				
Assets as per statement of financial position				
Long term loans to employees and long term deposits	-	-	63,004	63,004
Trade debts	-	-	3,042,990	3,042,990
Deposits and other receivables	-	-	22,214	22,214
Loan to related party	-	-	765,000	765,000
Investments	20	22,700,128	-	22,700,148
Cash and bank balances	-	-	687,991	687,991
	20	22,700,128	4,581,199	27,281,347
As at June 30, 2019				
Assets as per statement of financial position				
Long term loans to employees and long term deposits	-	-	60,970	60,970
Trade debts	-	-	1,678,379	1,678,379
Deposits and other receivables	-	-	21,750	21,750
Loan to related party	-	-	1,000,000	1,000,000
Investments	24	24,158,906	-	24,158,930
Cash and bank balances	-	-	783,250	783,250
	24	24,158,906	3,544,349	27,703,279

	Financial liabilities at amortized cost	
	2020	2019
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term finances - secured	24,728,690	21,875,324
Long term deposits	253,937	242,043
Accrued markup	803,423	890,864
Trade and other payables	8,805,077	7,399,792
Short term borrowings	25,849,525	22,851,016
Loans from related parties - unsecured	214,000	214,000
	60,654,652	53,473,039

46.5 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

47. Operating Segments

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

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

Type of segments	Nature of business
Cement	Production and sale of clinker, ordinary portland and sulphate resistant cements
Paper	Manufacture and supply of paper products and packing material
Dairy	Production and sale of raw milk

The identification of operating segments was based on the internal organisational and reporting structure, built on the different products and services within the Group. Allocation of the individual organisational entities to the operating segments was exclusively based on economic criteria, irrespective of the participation structure under the Companies Act, 2017.

47.1 Segment analysis and reconciliation

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

(Rupees in thousand)

	Cement		Paper		Dairy		Elimination - net		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from										
- External customers	38,033,123	40,516,524	1,829,232	1,638,411	1,730,331	1,472,072	-	-	41,592,686	43,627,007
- Inter segment	-	-	2,443,782	2,418,437	4,403	1,504	(2,448,185)	(2,419,941)	-	-
	38,033,123	40,516,524	4,273,014	4,056,848	1,734,734	1,473,576	(2,448,185)	(2,419,941)	41,592,686	43,627,007
Segment gross profit/(loss)	1,585,909	5,362,436	684,829	511,276	(253,179)	(172,354)	(51,783)	(27,158)	1,965,776	5,674,200
Segment expenses	(3,118,384)	(2,494,762)	(74,647)	(109,392)	(205,905)	(153,534)	2,739,509	2,973,285	(659,427)	215,597
Other income	2,429,574	2,427,264	19,554	19,897	14,989	28,526	(30,389)	(928)	2,433,728	2,474,759
Changes in fair value of biological assets	-	-	-	-	305,256	335,739	-	-	305,256	335,739
Finance cost	(4,653,286)	(3,304,101)	(448,887)	(297,774)	(9,177)	(7,869)	-	-	(5,111,350)	(3,609,744)
Taxation	1,597,527	(381,082)	(50,175)	(64,786)	28,464	30,698	-	-	1,575,816	(415,170)
(Loss)/profit after taxation	(2,158,660)	1,609,755	130,674	59,221	(119,552)	61,206	2,657,337	2,945,199	509,799	4,675,381
Segment assets	129,551,536	125,941,425	5,183,378	5,466,160	3,280,366	3,242,803	(2,704,565)	(2,149,919)	135,310,715	132,500,469
Segment liabilities	58,388,809	55,011,605	3,659,274	4,062,459	723,386	566,273	3,865,456	(178,713)	66,636,925	59,461,624
Depreciation, amortization and impairment	3,691,100	3,500,067	60,149	60,285	164,412	181,474	27,306	29,611	3,942,967	3,771,437
Net cash generated from/(used in) operating activities	(343,131)	(1,530,631)	734,834	(1,119,395)	(43,106)	(111,462)	(402,701)	47,297	(54,104)	(2,714,191)
Capital expenditure	(7,374,428)	(7,014,359)	(578)	(5,304)	(21,985)	(52,391)	4	3	(7,396,987)	(7,072,051)
Net cash generated from/(used in) investing activities	(5,082,796)	(5,444,043)	4,775	176	107,837	46,916	(12,995)	(8,740)	(4,983,179)	(5,405,691)

47.2 Geographical segments

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

48. Interests in other entities

48.1 Material subsidiaries

The subsidiaries as at June 30, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Parent, and the proportion of ownership interests held equals the voting rights held by the Parent. The country of incorporation or registration and their principal places of business are disclosed in note 1.

	Ownership interest held by the Group		Ownership interest held by non-controlling interests		
Name of entity	**2020**	**2019**	**2020**	**2019**	**Principal activities**
Nishat Paper Products Company Limited	55%	55%	45%	45%	Paper products and packaging material
Nishat Dairy (Private) Limited	55.10%	55.10%	44.90%	44.90%	Production and sale of raw milk

48.2 Non-controlling interests ('NCI')

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	Nishat Paper Products Company Limited		Nishat Dairy (Private) Limited	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
Summarised statement of financial position				
Current assets	3,598,217	3,821,431	612,409	496,543
Less: current liabilities	2,778,731	3,178,737	702,131	525,545
Net current assets/(liabilities)	819,486	642,694	(89,722)	(29,002)
Non-current assets	1,585,161	1,644,729	2,667,958	2,746,261
Less: non-current liabilities	880,543	883,721	21,255	40,728
Net non-current assets	704,618	761,008	2,646,703	2,705,533
Net assets	1,524,104	1,403,702	2,556,981	2,676,531
Accumulated non-controlling interests	765,458	727,088	1,250,898	1,312,466
Summarised statement of comprehensive income				
Revenue	4,273,014	4,056,849	1,734,733	1,473,576
Profit/(loss) for the year	130,675	59,221	(119,550)	61,206
Other comprehensive loss	(10,273)	(18,312)	-	-
Total comprehensive income/(loss)	120,402	40,909	(119,550)	61,206
Profit/(loss) allocated to NCI	42,995	22,801	(61,570)	18,709
Other comprehensive loss allocated to NCI	(4,623)	(8,240)	-	-
Dividends paid to NCI	-	-	-	-

	Nishat Paper Products Company Limited		Nishat Dairy (Private) Limited	
	2020	**2019**	**2020**	**2019**
	(Rupees in thousand)		(Rupees in thousand)	
Summarised cash flows				
Cash flows from operating activities	734,834	(1,119,395)	(43,106)	(111,462)
Cash flows from investing activities	4,775	176	107,837	46,916
Cash flows from financing activities	(572,248)	(16,126)	28,505	-
Net increase/(decrease) in cash and cash equivalents	167,361	(1,135,345)	93,236	(64,546)

49. Impact of COVID-19 (Corona virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID–19. Cement segment's Khairpur and D. G. Khan Plants and paper segment's plant was shut down on March 26, 2020. Normal production at cement segment's Khairpur plant and paper segment's plant resumed on April 17, 2020, whereas, D. G. Khan plant's operations resumed on April 6, 2020, after the Government of the Punjab opened the construction sector. Moreover, the dairy segment operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Group continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these consolidated financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these consolidated financial statements.

50. Date of authorisation for issue

These consolidated financial statements were authorised for issue on 17 September 2020 by the Board of Directors.

51. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. However, no significant re-arrangement has been made.

Chief Executive

Chief Financial Officer

David Dazal

Director

GLOSSARY

Term	Meaning
BAC	Board Audit Committee
Breakup Value	Shareholders' Equity/Number of Shares
Current Ratio	Current Assets divided by Current Liabilities
Debt to Equity	Total Debt/Equity
DGK	Dera Ghazi Khan
DGKC	D.G. Khan Cement Company Limited
Dividend Yield	Dividend Per Share/Stock Price
Divident Payout	Dividend per Share/ EPS
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EPS	Earnings Per Share
FX	Foreign Exchange (Currency)
FY	Financial Year
GDP	Gross Domestic Product
GP	Gross Profit
HR & R	Human Resource & Remuneration Committee
Interest Coverage	EBITDA/Interest
IT	Information Technology
KHP	Khairpur
KIBOR	Karachi Interbank Offer Rate
LIBOR	London Interbank Offer Rate
MIS	Management Information System
mt	Million Tons
MW	Mega Watt
OPC	Ordinary Portand Cement
PAT	Profit After Tax
PE	Price Earning Ratio= Stock Price/EPS
PKR	Pakistani Rupee
ROA	Return Assets
ROE	Return on Equity
SRC	Sulphate Resistant Cement
TPD	Tons Per Day
USD	United States Dollar
Working Capital	Current Assets less Current Liabilities
WPPF	Workers Profit Participation Fund
WWF	Workers Welfare Fund

کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

e۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

f۔ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

g۔ ضابطہء کارپوریٹ گورننس میں سے کسی خاطر خواہ شق سے انحراف نہیں ہو رہا ہے۔

h۔ کمپنی کے آپریٹنگ نتائج میں گزشتہ سال سے اہم تبدیلیوں پر روشنی ڈالی گئی ہے اور ڈائریکٹرز رپورٹ کے دوسرے حصوں میں مدلل درج ہیں۔

i۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

j۔ جہاں ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا ہے، اس کے لئے ایک مختصر وضاحت اور وجوہات مع رقم کا مالی حسابات میں انکشاف کیا گیا ہے۔

k۔ اہم منصوبوں اور فیصلوں جیسا کہ کارپوریٹ کی تنظیم نو، کاروبار کی توسیع اور آپریشن کی بندش، مستقبل کے امکانات، خطرات اور کمپنی کے گرد غیر یقینی صورتحال کا خاکہ پیش کیا گیا ہے۔

l۔ ہر ڈائریکٹر کی، سال کے دوران منعقد بورڈ اور کمیٹی کے اجلاسوں میں حاضری کی تعداد اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

m۔ تربیتی پروگراموں کی تفصیلات جن میں ڈائریکٹروں نے شرکت کی اس سالانہ رپورٹ کے ہمراہ منسلک ہیں۔

n۔ شیئر ہولڈنگ کا پیٹرن اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

o۔ کمپنی اپنی تمام مالی ذمہ داریوں میں باقاعدہ ہے۔

p۔ کمپنی کے حصص میں اس کے ڈائریکٹرز، ایگزیکٹوز اور ان کے زوج اور نابالغ بچوں کی طرف سے کی گئی تمام تجارت اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

q۔ پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 1,586 ملین پاکستانی روپے (2019: 1,456 ملین روپے) اور گریجوئٹی میں سرمایہ کاری کی قیمت 259 ملین پاکستانی روپے (361 ملین روپے) ہے۔

ہم اپنے تمام صارفین، ڈیلرز، سپلائرز، قرض دہندہ سمیت تمام اسٹیک ہولڈرز کی حمایت کے شکر گزار اور اپنے تمام ملازمین کی ان تھک کوششوں کو سراہتے ہیں۔

منجانب بورڈ

رضا منشا
چیف ایگزیکٹو آفیسر

Farid Fazal

فرید نور علی فضل
ڈائریکٹر

لاہور
17 ستمبر 2020ء

میونسپل فضلوں کو استعمال میں لانے کے لئے جدید مشینیریوں میں بھاری سرمایہ کاری کی ہے۔

کارپوریٹ سماجی ذمہ داری

DGKC اپنی معاشرتی اور فلاحی ذمہ داریوں سے بخوبی واقف ہے۔

تعلیم

کمپنی ڈی جی خان میں بلوم فیلڈ ہال سکول اور سیمنٹ ماڈل ٹرسٹ سکول نامی دو سکولوں کو چلاتی ہے۔

میڈیکل اور فائر فائٹنگ

- ڈی جی خان، خیر پور اور حب کے مقامات پر فری ڈسپنسری کی سہولت دستیاب ہے۔ ڈسپنسری کی سہولت علاقے کے لوگوں کے لئے بالکل مفت ہے۔
- سائٹ پر سے اور ڈسپنسری اور قریبی دیہاتوں تک فری وین ٹرانسپورٹیشن کی سہولت
- کمپنی مقامی کمیونٹیز کے لئے فری ایمبولینس سروسز چلاتی ہے۔
- کمپنی قریبی علاقوں کے لئے فری فائر فائٹنگ سروس بھی چلاتی ہے۔

پانی کی فراہمی اور خوراک کی تقسیم

- کمپنی نے اپنی پیداواری سہولیات کے قریبی مقامی علاقوں / دیہاتوں کے لئے واٹر سپلائی کے بھی انتظامات کئے ہیں۔
- ہنگامی اور قدرتی آفات میں مدد
- کمپنی ملحقہ علاقوں میں کسی بھی ناگہانی / حادثے کی صورت میں ضرورت کی بنیاد پر آلات اور خدمات مہیا کرتی ہے۔
- کمپنی قدرتی آفتوں کے متاثرین کی بحالی میں مدد کرتی ہے۔
- پلانٹ کے مقامات کے قریبی کوویڈ 19 کے متاثرین میں خوراک کی تقسیم۔

آگاہی اور ایچ ایس ای

- کمپنی بیماریوں اور ان کی روک تھام پر مختلف آگاہی کے سیشنز کا انعقاد کرتی ہے۔
- کمپنی سیکیورٹی، صحت اور حفاظت پر سیشن کا اہتمام کرتی ہے اور ہنگامی صورت حال کی فرضی مشقوں کو انجام دیتی ہے۔
- جنرل
- کمپنی کھیلوں کے لئے مستحق افراد کی مدد کرتی ہے۔
- کمپنی معذور افراد کی بحالی میں بھی مدد کرتی ہے۔
- کمپنی کوئلے کے استعمال کی جگہ، کسی حد تک، شہر سے جمع ہونے والے کوڑے کو استعمال کرتی ہے۔ یہ عمل اگرچہ معاشی طور پر ناقابل برداشت ہے لیکن اس نے کمپنی کی پالیسی کے مطابق صاف ستھرا ماحول برقرار رکھنے میں اہم کردار ادا کیا۔

اہم تبدیلیاں

مالی سال کے دوران کمپنی یا اس کے ماتحت اداروں جن میں کمپنی دلچسپی رکھتی ہے، کے کاروبار کی نوعیت کے بارے میں کوئی تبدیلی واقع نہیں ہوئی ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ بورڈ نے آئندہ سالانہ عام اجلاس میں ارکان کی منظوری سے مشروط آڈٹ کمیٹی کی طرف سے تجویز کے طور پر آئندہ سال کے لئے بطور آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی تقرری کی سفارش کی ہے۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 (ریگولیشنز) کی تعمیل کمپنی نے 30 جون 2020 کو ختم ہونے والے سال کی متعلقہ، ریگولیشنز کے ضابطے کو اپنایا ہے اور اس پر مکمل طور عمل کیا ہے۔ اس اثر پر باقاعدہ ایک رپورٹ منسلک ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

آپ کی کمپنی کے ڈائریکٹرز بیان کرتے ہیں کہ:

a۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

b۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

c۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

d۔ مالی حسابات کو کمپنیز قانون کے تحت تیار کیا گیا ہے اور اس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی

مشینری اور آلات کی فراہمی کے لئے بھی ایک معاہدہ کیا ہے۔ دونوں بجلی گھروں کی مشینری اور سامان ایئر کولنگ سسٹم پر مبنی ہیں جو صاف ماحول کو برقرار رکھنے کی کمپنی کی پالیسی میں اہم کردار ادا کرتے ہوئے کم سے کم پانی استعمال کریں گے۔ CFPP پاکستان میں اپنی نوعیت کا پہلا پاور پلانٹ ہے جس میں دو ٹربائنوں پر مشتمل "ری ہیٹ سسٹم" کے ساتھ توانائی کا تبادلہ ہوتا ہے۔ یہ توقع کی جاتی ہے کہ فی کلو واٹ کوئلہ کی کھپت تقریباً 1 فیصد کم ہے جو ہم اپنے موجودہ کوئلے سے چلنے والے بجلی گھر میں استعمال کرتے ہیں۔ ذاتی بجلی پیدا کرنے سے بجلی کے سالانہ اخراجات میں بچت ہوگی اور بلاتعطل پلانٹ آپریشن یقینی بن جائیں گے۔

کووڈ-19 کی وجہ سے نقل وحرکت اور تجارت پر عالمی سطح پر پابندیوں نے مشینری کی ترسیل کو دو ماہ کے لئے مؤخر کردیا۔ تاہم، انتظامیہ اس تاخیر کو پورا کرنے کا ارادہ رکھتی ہے۔ ڈبلیو ایچ آر مالی سال 21 کی تیسری سہ ماہی میں آپریشنل ہونے کی توقع ہے جبکہ سی ایف پی پی کے مالی سال 22 کی پہلی سہ ماہی میں مکمل ہونے کی امید ہے۔

تصرف

بورڈ نے منافع اور صلاحیت کی توسیع کی ضروریات کو مدنظر رکھتے ہوئے، FY20 کے لئے .... پاکستانی روپے فی شیئر کے ڈیویڈینڈ کی سفارش کرنے کا فیصلہ کیا ہے۔

اہم خطرات

کمپنی کی اصل سرگرمی سیمنٹ اور کلنکر تیار اور فروخت کرنا ہے اور کمپنی کو مندرجہ ذیل اہم خطرات کا سامنا ہے:

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

ڈائریکٹرز کا مشاہرہ

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

- کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے سوائے آزاد ڈائریکٹرز سمیت اپنے نان ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرے گی۔
- کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں ڈائریکٹرز کے سفر اور رہائش کے اخراجات ادا کرے گی۔
- بورڈ آف ڈائریکٹرز، وقتاً فوقتاً ڈائریکٹرز معاوضہ پالیسی کا جائزہ اور اس کی منظوری دیں گے۔

ڈائریکٹر

مندرجہ ذیل کمپنی کے ڈائریکٹر ہیں:

1۔	محترمہ ناز منشا (چیئرپرسن)	نان ایگزیکٹو
2۔	جناب رضا منشا (چیف ایگزیکٹو)	ایگزیکٹو
3۔	جناب خالد نواز خواجہ	آزاد
4۔	جناب اسامہ محمود	آزاد
5۔	جناب محمود اختر	نان ایگزیکٹو
6۔	جناب فرید نور علی فضل	ایگزیکٹو
7۔	جناب شہزاد احمد ملک	نان ایگزیکٹو

خاتون ڈائریکٹر:	01
مرد ڈائریکٹر:	06

آڈٹ کمیٹی

1۔	جناب خالد نیاز خواجہ	چیئرمین
2۔	جناب اسامہ محمود	رکن
3۔	جناب محمود اختر	رکن

انسانی وسائل اور معاوضہ کمیٹی

1۔	جناب خالد نیاز خواجہ	چیئرمین
2۔	جناب رضا منشا	رکن
3۔	جناب محمود اختر	رکن

بعد از بیلنس شیٹ کے واقعات

کوئی اہم بعد از بیلنس شیٹ واقع نہیں ہے جو رپورٹ کیا جائے۔

کاروبار کے ماحول پر اثرات

ہمارے پلانٹس اور آپریشن بین الاقوامی اور قومی ماحول کے معیارات کے مطابق ہیں۔ کمپنی نے پلانٹ سے خارج ہونے والی ہیٹ سے بجلی پیدا کرنے اور صنعتی اور

عرصے کے دوران اوسط ڈسکاؤنٹ شرح میں اضافے اور مالی سرمایہ پر افراط زر کے دباؤ کی مالی اعانت کے لئے مزید قرضوں میں اضافہ ہوا۔ تاہم، یہ آخری سہ ماہی میں ڈسکاؤنٹ شرح کو کم کرنے کے SBP اقدامات کی بدولت قدرے کم ہوا۔ آپ کی کمپنی نے تنخواہوں اور اُجرت کی مالی اعانت کے لئے اسٹیٹ بینک پاکستان کی ری فنانس اسکیم سے فائدہ اٹھایا۔ اس کا مالی اثر اگلے مالی سال میں نظر آئے گا۔ معزز سپریم کورٹ آف پاکستان نے GIDC کی بقایا رقم جمع کرانے کی بابت اگست میں، حکومت کے حق میں فیصلہ سنایا جس میں حکم دیا گیا کہ بقایا رقم 24 برابر ماہانہ قسطوں میں تاخیر سے ادائیگی کے چارج کے بغیر قابل ادائیگی رقم جمع کرانی ہوگی۔ سیمنٹ کی قیمتیں مارکیٹ کی طلب اور رسد سے حاصل ہوتی ہیں۔ آپ کی کمپنی GIDC کے اثر کو اپنے صارفین کو منتقل نہیں کرسکی۔

مالی کارکردگی- مجموعی

آپ کی کمپنی کے مختصر مجموعی نتائج مندرجہ ذیل ہیں:

پاکستانی روپے ہزاروں میں

	مالی سال 2020	مالی سال 2019	تغیرات
خالص فروخت	41,592,686	43,627,007	(4.7%)
مجموعی منافع	1,965,776	5,674,200	(65.4%)
PBT	(3,805,001)	2,280,053	(266.9%)
PAT	(2,229,185)	1,864,883	(219.5%)
EPS (پاکستانی روپے/شیئر)	(5.05)	4.16	(221.4%)

PAT میں کمی بنیادی طور پر سیمنٹ شعبہ کے منافع میں کمی کی وجہ سے ہوئی۔ انفرادی طور پر ڈیری شعبہ کو خوراک کی قیمت میں اضافہ کی وجہ سے 61 ملین روپے کے منافع کے مقابلے 119 ملین روپے کے نقصان کا سامنا کرنا پڑا۔ یہ خسارہ کاغذ کی قیمتوں میں اضافہ کی وجہ سے انفرادی طور پر پیپر شعبہ میں 130 ملین روپے کے منافع کی بدولت پورا کیا گیا۔

مستقبل کے امکانات

گذشتہ ماہ کے دوران پاکستان میں کوڈ 19 کا اثر کم ہوتا دکھائی دے رہا ہے اور حکومت پاکستان نے بھی احتیاطی تدابیر کے ساتھ بیشتر کاروبار کھول دیئے ہیں۔ یہ مثبت خبر ہے لیکن دوسری لہر کے لئے کچھ احتیاط کی ضرورت ہے۔ جولائی اور اگست میں اقتصادی اشاروں نے ملک کے لئے مثبت علامات ظاہر کی ہیں۔ تعمیراتی شعبے کے لئے حالیہ اعلان کردہ پیکیج (بنیادی طور پر ہاؤسنگ سیکٹر پر فوکس، نیا پاکستان ہاؤسنگ اسکیم کے لئے سبسڈی، ٹیکس میں نرمی کے اقدامات وغیرہ) ایک یا دو سال میں بڑے پیمانے پر طلب پیدا کرسکتا ہے۔ فنانس ایکٹ 2020 میں ایف ای ڈی کو 25 روپے فی بیگ کم کرنے کی شکل میں ریلیف ایک حوصلہ افزاء ترقی ہے۔ وزیر اعظم نے حکومت سندھ کے لئے 1.1 ٹریلین روپے کا کراچی ٹرانسفارمیشن پلان کا اعلان کیا ہے۔ راوی ریور فرنٹ اربن ڈویلپمنٹ فرنٹ پروجیکٹ (RRUDP) بھی زیر غور ہے۔ تاہم، اس کی تکمیل کے بارے میں غیر یقینی صورتحال برقرار ہے۔ حکومت دیامر بھاشا، مہمنڈ ڈیم اور کوہالہ ریور ڈیم منصوبوں کے بارے میں بھی سنجیدہ دکھائی دیتی ہے۔ سال کی آخری سہ ماہی میں سی پیک نے بھی کام کی رفتار تیز کردی ہے۔ یہ عوامل طویل عرصے میں سیمنٹ کی صنعت کے لئے بڑے پیمانے پر طلب بڑھانے میں حصہ لیں گے۔

قلیل مدت میں، حجم کے لحاظ سے سیمنٹ کی فروخت پر دباؤ برقرار رہے گا۔ کوڈ 19 کے ابتدائی حملہ کے بعد برآمدی صنعت کی بحالی اور ترسیلات زر میں سالانہ نمو شرح تبادلہ کو مستحکم رکھے گی۔ ویکسین کی دستیابی یا کوویڈ 19 کی دوسری لہر کے بارے میں غیر یقینی صورتحال ہے۔ اگست اور ستمبر کے مہینوں میں سیلاب نے بھی معاشی مرکز کراچی کو متاثر کیا ہے۔ زراعت کے شعبے میں ٹڈیوں کے حملے کا مستقل خطرہ بھی ہے۔ اس کے نتیجے میں، حکومت محصول کے اہداف کو پورا نہیں کرسکتی ہے۔ آئی ایم ایف کے طے شدہ مالی اہداف کو پورا کرنے کے لئے پی ایس ڈی پی فنڈز میں کمی کی جاسکتی ہے۔ اس ضمن میں آئی ایم ایف کی جانب سے فراہم کی جانے والی نرمی فی الحال واضح نہیں ہے۔ زراعت، سماجی تحفظ اور تعمیراتی شعبے پر توجہ مرکوز کرنے کا حکومتی منصوبہ دولت کو گردش میں رکھ سکتا ہے۔ بجلی کی تقسیم کے شعبے پر مختلف آئی پی پیز اور حکومت کی توجہ سے طویل عرصے میں بجلی کی لاگت کم ہوسکتی ہے۔ تاہم، حتمی نتائج کے بارے میں غیر یقینی صورتحال برقرار ہے۔ کوئلے کی قیمتیں کم رہیں گی اور لاگت کے دباؤ کو کم کرسکتی ہیں۔ تیل کی قیمتیں سال کی سب سے نچلی سطح پر پہنچ گئیں اور توقع ہے کہ وبائی بیماری کی مدت کے دوران مستقبل قریب میں کم رہیں گے۔ ڈسکاؤنٹ شرح مستحکم اور کم سطح پر رہیں گی۔ یہ صنعت کے لئے کچھ آسانی مہیا کرسکتی ہے۔ اس سے ایک سال کے لئے اصل ادائیگی کے ساتھ موجودہ واجب ادائیگیوں کو پورا کرنے میں مدد مل سکتی ہے۔ تاہم، ڈیویڈنڈ کے مختص کرنے سے متعلق بینکوں پر اسٹیٹ بینک کی پابندی سے ہماری ڈیویڈنڈ آمدنی کی روانی متاثر اور ہماری آمدنی پر منفی اثر پڑسکتا ہے۔

نئے اور جاری- منصوبے

آپ کی کمپنی نے سنوما انرجی کنزرویشن لمیٹڈ، چین کے ساتھ حب سیمنٹ پلانٹ میں 10MW کے ڈبلیو ایچ آر پاور جنریشن اور 30MW کے CFPP کی

جائزہ

مالی سال 2020 خاص طور پر ملک اور عام طور پر دنیا کے لئے ایک بہت ناگزیر سال تھا۔ اس سال کا آغاز استحکام کے جاری پروگرام، سخت مالی اور مالیاتی اقدامات، زیادہ افراط زر، ضرورت سے زائد ٹیکس کی عائدگی، اور معیشت کو دستاویزاتی بنانے کی مہم سے ہوا۔ ان عوامل نے تعمیراتی شعبے کو سست کرنے میں اہم کردار ادا کیا کیونکہ غیر یقینی صورتحال کی وجہ سے سرمایہ کار پیچھے ہٹ گئے۔ جب یہ صنعت تیسری سہ ماہی میں داخل ہوئی اور آئی ایم ایف کے وقتاً فوقتاً جائزے کے بعد ملک اپنے سخت مالی استحکام کے اقدامات سے آہستہ آہستہ بحالی کی طرف آیا تو، پوری دنیا کووِڈ-19 کی وبائی بیماری کی لپیٹ میں آ گئی، جس نے تقریباً (پاکستان سمیت) تمام ممالک کو اس کے پھیلاؤ کو روکنے پر مجبور کردیا۔ اس کے پھیلاؤ کو روکنے کے اقدامات کی وجہ سے معیشت میں مجموعی طور پر پست روی پیدا ہوگئی اور یہاں تک کہ لوگوں کے اجتماع سے متعلق کسی بھی طرح کی سرگرمی بند ہوگئی۔ پاکستان نے تیسری سہ ماہی کے اختتام پر لاک ڈاؤن نافذ کردیا، تقریباً تمام صنعتوں کو اپنے کام بند کرنے پر مجبور کیا۔ اس کے ساتھ ساتھ زراعت کے شعبے پر ٹڈیوں کے حملے نے جلتی پر تیل کا کام کیا۔ غیر یقینی صورتحال کی وجہ سے ٹی بلوں اور پی آئی بی سے ہاٹ منی کے اخراج نے پاکستانی روپے پر دباؤ میں اضافہ کیا، جس کے نتیجے میں تیسری سہ ماہی کے آخر میں بڑے پیمانے پر روپے کی قدر میں کمی واقع ہوئی۔ تاہم، وفاقی حکومت نے مارچ کے آخری ہفتے میں، 1.2 ٹریلین روپے کا اقتصادی پیکیج متعارف کرانے کے لئے فعال اقدامات اٹھائے تاکہ برآمدات کی صنعت کو معاشرتی تحفظ، زراعت کی مدد، سبسڈی اور ٹیکس میں نرمی کو یقینی بنایا جاسکے۔ اسٹیٹ بینک آف پاکستان نے جون کے آخر تک پالیسی شرح کم کر کے 7 فیصد تک کردی۔ اس قومی تباہی کے ساتھ ساتھ، صنعت میں پہلے سے ہی صنعت میں جاری قیمتوں کی جنگ اور کم قیمت اجناس (کلینکر) کی برآمد نے اس صورتحال کو مزید خراب کردیا جس کے نتیجے صنعت میں منافع کا ناقص تناسب برآمد ہوا۔

حجم کے لحاظ سے، صنعت کی کل فروخت مقدار میں 1.98 فیصد کا اضافہ ہوا۔ نارتھ زون نے 4.03 فیصد شرح نمو ظاہر کی جو جنوبی زون میں 4.00 فیصد منفی نمو سے زیادہ تھی۔ مزید تجزیہ سے پتہ چلتا ہے کہ نمو بنیادی طور پر برآمدات 19.98 فیصد (بنیادی طور پر کلینکر) کے ذریعے حاصل ہوئی ہے جبکہ گذشتہ سال کے اسی عرصے کے مقابلہ میں صلاحیت میں اضافے کے باوجود مقامی ترسیلات میں 0.94 فیصد کی معمولی کمی دیکھی گئی۔ اس کی بنیادی وجہ آخری سہ ماہی میں COVID-19 کے منفی اثرات ہیں۔ مستعمل فروخت پچھلے سال 84 فیصد کے مقابلے میں 75 فیصد رہ گئی۔ اس میں برآمدات 12 فیصد (مالی سال 19: 12 فیصد) جبکہ مقامی مستعمل فروخت 63 فیصد (مالی سال 19: 72 فیصد) شامل ہیں۔ COVID-19 سے قبل اور بعد میں معاشی ماحول میں اتنی زیادہ طلب پیدا نہیں ہوئی کہ اس کی صلاحیت میں اضافے کے تناسب سے فروخت زیادہ ہو، جس کے نتیجے میں مستعمل فروخت میں کمی واقع ہوئی۔

کاروباری کارکردگی کا جائزہ

انڈسٹری کے مطابق، آپ کی کمپنی کا مالی سال 2020 حوصلہ افزا نہیں تھا۔ مالی سال 2020 کی دوسری سہ ماہی میں کمپنی خسارہ کو کم کرنے میں کامیاب رہی، لیکن سیمنٹ کی صنعت کے سائیکلنگ رجحان، مارچ کے اختتام پر لاک ڈاؤن (مئی کے مہینے میں مقدار میں 41 فیصد کی کمی)، سخت مقابلہ کی وجہ سے لاگت کا مسلسل دباؤ اور قیمتوں کی سخت جنگ کی وجہ سے تیسری اور چوتھی سہ ماہی میں رفتار برقرار نہیں رکھ سکی۔ مالی سال 20 کے لئے، مجموعی طور پر سیمنٹ فروخت کی مقدار میں معمولی کمی درج کی گئی، جس کی بنیادی وجہ آخری سہ ماہی میں لاک ڈاؤن کی وجہ سے کاروبار کا بند ہونا تھا۔ بنیادی طور پر 200 فیصد ڈیوٹی عائد کرنے کے بعد ہندوستان کو برآمدات رکنے سے سیمنٹ کی برآمدات میں گراوٹ آئی ہے۔ آپ کی کمپنی کی مستعمل فروخت میں 102 فیصد (مالی سال 2019: 89 فیصد) تک بہتری آئی۔ کلینکر کی برآمدات ایک دوسرا ذریعہ ہے جو گذشتہ سال متعارف کروائی گئی۔ آپ کی کمپنی نے مقررہ اخراجات میں حصہ ڈالنے اور پائلنگ کلینکر اسٹاک کو کم کرنے کے لئے کلینکر برآمد کرنے کی حکمت عملی جاری رکھی، جس سے ملک کے لئے 59 ملین امریکی ڈالر کے قیمتی غیر ملکی زرمبادلہ ذخائر کی آمدنی بھی ہوئی۔

قیمت کے لحاظ سے، بنیادی طور پر سیمنٹ کی قیمت میں کمی کی وجہ سے فروخت میں کمی درج کی گئی۔ بنیادی طور پر عام افراط زر، توانائی کی قیمتوں میں اضافہ (وزیراعظم ریلیف کی واپسی سمیت) اور ستمبر 2018 سے مسلسل کرنسی کی قدر میں کمی سے لاگت میں اضافے کو صنعت میں سخت مقابلہ کی وجہ سے سیمنٹ کی گرتی قیمتوں میں منتقل نہیں ہوسکا ہے۔ پچھلی سہ ماہی میں کوئلہ اور فرنس آئل کی قیمتوں میں کمی کی وجہ سے کچھ ریلیف ملا۔ سال کے دوران ڈبلیو ایچ آر پلانٹ بھی آپریشنل ہوگیا، جس سے بجلی کی لاگت کم ہوگئی۔ تاہم، مجموعی لاگت کم طلب کے باعث فروخت قیمت کے مقابلے زیادہ رہی۔ اس کے نتیجے میں جی پی (فروخت کی مطلق شرائط اور فیصد کے مطابق) کم ہوگیا۔ فروخت کے اخراجات میں اضافہ کلنکر کی برآمدات میں اضافے سے وابستہ تھا۔ پاکستان کے اگلے مالی سالوں اور ہماری برآمدی منڈی اور دیرینہ ہندوستانی صارفین کے لئے کم جی ڈی پی کی پیشن گوئی کے نتیجے میں ہماری تجارتی قابل وصولیوں کی زیادہ فراہمی' متوقع کریڈٹ نقصان'

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 20 کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

30 جون 2020ء مختتمہ سال کے لئے کمپنی کی مجموعی کارکردگی کے اعداد و شمار:

	مالی سال 2020	مالی سال 2019	تغیرات	
	پاکستانی روپے ہزاروں میں			**فیصد**
فروخت	38,033,124	40,516,525	(2,483,401)	(6.1%)
قیمت فروخت	(36,447,218)	(35,154,086)	(1,293,132)	3.7%
مجموعی منافع	**1,585,906**	**5,362,439**	**(3,776,533)**	**(70.4%)**
انتظامی اخراجات	(658,874)	(628,517)	(30,357)	4.8%
فروخت اور تقسیم کے اخراجات	(1,783,422)	(1,305,695)	(477,727)	36.6%
مالی اثاثوں پر خالص قرضی نقصان	(146,447)	(22,343)	(124,104)	555.4%
دیگر معاملاتی اخراجات	(529,640)	(538,207)	8,567	(1.6%)
دیگر آمدنی	2,429,575	2,427,266	2,309	0.1%
مالی لاگت	(4,653,286)	(3,304,102)	(1,349,184)	40.8%
ٹیکسیشن سے قبل (نقصان)/منافع	**(3,756,188)**	**1,990,841**	**(5,747,029)**	**(288.7%)**
ٹیکسیشن	1,597,527	(381,082)	1,978,609	(519.2%)
سال کے لئے (نقصان)/منافع	**(2,158,661)**	**1,609,759**	**(3,768,420)**	**(234.1%)**

GP%	4.2%	13.2%
PBT %	(9.9%)	4.9%
PAT%	(5.7%)	4.0%
EPS	(4.93)	3.67

امسال کے لئے آپ کی کمپنی کے آپریشنل اعداد و شمار درج ذیل ہیں:

	مالی سال 2020	مالی سال 2019	تغیرات	
پیداوار	اعداد و شمار میٹرک ٹن میں			**فیصد**
کلنکر کی پیداوار	6,841,964	6,380,898	461,066	7.2%
سیمنٹ کی پیداوار	5,510,426	5,613,650	(103,224)	(1.8%)
فروخت				
کل فروخت	5,494,823	5,597,642	(102,819)	(1.8%)
مقامی فروخت	5,336,680	5,327,410	9,270	0.2%
برآمد فروخت	158,143	270,232	(112,089)	(41.5%)
کلنکر فروخت	1,692,124	707,341	984,783	139.2%

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of D. G. Khan Cement Company Limited (the Company/DGKC) will be held on October 28, 2020 (Wednesday) at 11:30 A.M. at Emporium Mall, The Nishat Hotel, Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Un-consolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2020 together with the Chairman's Review, Directors' and Auditors' reports thereon.

2. To appoint statutory Auditors and fix their remuneration.

3. Special Business:-

To consider and if deemed fit, to pass the following resolutions as Special Resolutions under Section 199 of the Companies Act, 2017, as recommended by the Board of Directors with or without modification, addition(s) or deletion(s).

RESOLVED that approval of the members of D. G. Khan Cement Company Limited (the Company/DGKC) be and is hereby accorded in terms of Section 199 and other applicable provisions of the Companies Act, 2017, for renewal of investment of upto PKR 1,000,000,000/- (Rupees One Billion Only) in the form of working capital / running finance loan to Nishat Hotels and Properties Limited ("NHPL"), an associated company, for a period of one year starting from the date of approval by the members, at the markup rate of 1 Month KIBOR plus 100 bps (which shall not be less than the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period or the borrowing cost of the Company whichever is higher) and as per other terms and conditions disclosed to the members.

FURTHER RESOLVED that the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, matters, deeds and things and take any or all necessary steps and actions to complete all legal formalities including signing of agreement and other documents and file all necessary documents as may be necessary or incidental and for the purpose of implementing the aforesaid resolutions.

By order of the Board

Lahore
September 17, 2020

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

NOTES:

BOOK CLOSURE NOTICE:-

The Ordinary Shares Transfer Books of the Company will remain closed from **21-10-2020 to 28-10-2020 (both days inclusive)** for attending and voting at Annual General Meeting. Physical transfers/ CDS Transactions IDs received in order in all respect up to 1:00 p.m. on 20-10-2020 at Share Registrar, THK Associates (Pvt) Limited, **Karachi Office**, 1st Floor, 40-C, Block-6, PECHS, Karachi, will be considered in time for attending of meeting.

Proxies

A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting. The proxy shall produce his / her original valid CNIC or original passport at the time of meeting.

Shareholders are requested to immediately notify the Company of change in address, if any.

Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Transmission of Annual Financial Statements through Email:

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.dgcement.com and send the form, duly signed by the shareholder, along with copy of his/her CNIC to the Company's Share Registrar M/s THK Associates (Pvt) Limited.

Circulation of Annual Reports through Digital Storage

Pursuant to the SECP's notification SRO 470(I) / 2016 dated 31st May, 2016 the Members of D. G. Khan Cement Company Limited in AGM held on 28th October 2017 had accorded their consent for transmission of annual reports including audited annual financial statements and other information contained therein of the Company through CD/DVD/USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send to the Company Secretary / Share registrar, the standard request form available on the Company's website and the Company will provide the aforesaid documents to the shareholders on demand, free of cost, within one week of such demand.

Unclaimed Dividend / Shares

Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any.

Video Conference Facility

In terms of the Companies Act, 2017, members residing in a city holding at least 10% of the total paid up share capital may demand the facility of video-link for participating in the annual general meeting. The request for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of the meeting on the Standard Form placed in the annual report which is also available on the website of the Company.

E-voting and Postal Ballot Facility

The shareholders will be allowed to exercise their right to vote through e-voting and postal ballot subject to Section 142 and 143 of the Companies Act, 2017 and Regulation 11 of the Companies (Postal Ballot) Regulations, 2018.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 28, 2020.

NISHAT HOTELS AND PROPERTIES LIMITED RENEWAL OF WORKING CAPITAL LOAN OF RS. 1 BILLION.

D. G. Khan Cement Company Limited ("the Company") has extended working capital loan of PKR 1 billion to Nishat Hotels and Properties Limited ("NHPL") as approved by the shareholders in their Annual General Meeting (AGM) held on October 28, 2019 at the interest rate of 3 months KIBOR plus 100 bps for a period of one year starting from the date of that AGM. The company has so far earned Rs. 321.90 million till June 30, 2020 as markup on said investment in last four years.

Considering the average borrowing rate of the Company and the return offered by Banks on term deposits, the Directors of the Company in their meeting held on September 17, 2020 has recommended renewal of above said working capital loan of PKR 1 billion extended to NHPL at the interest rate of 1 Months KIBOR plus 100 bps (which shall not be less than the Karachi Inter Bank Offered Rate (KIBOR) or borrowing cost of the Company whichever is higher) for a further period of one year starting from the date of this AGM i.e. October 28, 2020 on the terms and conditions as disclosed to the members.

Repayment of the principle amount of loan will be made within one year with payment of interest due on monthly basis. The management expects better income for the Company through higher interest rates charged to NHPL which will eventually enhance the return on investment to the shareholders of the Company.

Nishat Hotels and Properties Limited (NHPL) was incorporated on 04 October 2007 as a public company limited by shares. Its authorized share capital is Rs. 12,000,000,000/- (Rupees Twelve Billion Only) divided into 1,200,000,000 (One Billion Two Hundred Million) ordinary shares of PKR 10 each. Its main object is to carry on retail and hospitality business in Pakistan. For the intended purpose, NHPL has acquired site of 119 Kanals, 6 Marlas and 73 SFT of Commercial Land situated at Trade and Finance Block, Johar Town, Lahore, from Lahore Development Authority (LDA) – Urban Development Wing and constructed Emporium Mall which is fully operational from September 2016. Hotel has been opened from 20th May 2017 and 198 rooms are fully operational. The Building has a covered area of 2.742 Million Square Feet comprising the following building components (3 basements, ground floor and 11 floors):

- 4 star Hotel with 198 rooms
- Banquet halls
- Carre Four
- Shopping Mall with following features:
  - o Retail
  - o Food courts

- o Cineplex
- o Fun Factory
- o Health and Leisure Zones
- o Two basements with 2,815 parking bays for cars and motorcycles.

All sectors of the world's economy are affected by the coronavirus outbreak, the hotel, leisure, retail and travel industries have been hit particularly hard therefore, short term finance is needed by NHPL for meeting its working capital requirements.

The directors of the Company have certified / undertake that the investment is made after due diligence and financial health of NHPL is such that it has the ability to repay the loan as per agreement. The duly signed recommendation of the due diligence report and directors undertaking/certificate shall be made available to the members for inspection at the meeting.

NHPL is not a member of the Company. Its sponsors/directors are directors/members of the Company. They have no interest except their directorship and to the extent of their shareholding in DGKC which is as follows:

Name	% of Shareholding in DGKC
Mian Raza Mansha	2.90
Mian Umer Mansha	6.23
Mian Hassan Mansha	6.14
Spouse of Mian Raza Mansha	1.34
Mr. I.U. Niazi	0.00

Information Under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

<table>
<tr><td colspan="3">(a) Disclosure for all types of investments:</td></tr>
<tr><td colspan="3">(A) Disclosure regarding associated company</td></tr>
<tr><td>(i)</td><td>Name of Associated Company or Associated Undertaking</td><td>Nishat Hotels and Properties Limited (NHPL)</td></tr>
<tr><td>(ii)</td><td>Basis of Relationship</td><td>Common Directorship</td></tr>
<tr><td>(iii)</td><td>Earnings / (Loss) per Share for the last three years</td><td><table>
<tr><td>Sr.</td><td>Year</td><td>Earnings / (Loss) per share Rs.</td></tr>
<tr><td>1.</td><td>9 Months ended 31-Mar-2020 (Un-audited)</td><td>(0.62)</td></tr>
<tr><td>2.</td><td>2019 (audited)</td><td>1.42</td></tr>
<tr><td>3.</td><td>2018 (audited)</td><td>(0.30)</td></tr>
<tr><td>4.</td><td>2017 (audited)</td><td>(0.23)</td></tr>
</table></td></tr>
<tr><td>(iv)</td><td>Break-up value per Share, based on last audited financial statements</td><td>- PKR 18.09 per share as per Available audited financial statements for the year ended 30 June 2019.

- PKR 17.00 per share as per latest available un-audited financial statements for the 9 months ended 31 March 2020.</td></tr>
</table>

<table>
<tr><td>(v)</td><td colspan="2">Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest (unaudited) financial statements as on 31 March, 2020.</td><td>Audited financial statements as at 31 March, 2020:

Rs. in millions
Balance Sheet:
Assets
Non-current assets 34,072
Current assets 2,809
Total assets 36,881
Liabilities
Borrowings 8,929
Other liabilities 9,277
18,206
Equity 18,675

Profit & loss:
Sales 3,530
Gross Profit 1,386
Gross Profit Ratio 39.26%
Net Profit/(loss) after tax (624)
Net Profit after tax Ratio -17.68%
EPS (0.62)</td></tr>
<tr><td>(vi)</td><td colspan="2">In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely</td><td>N/A</td></tr>
<tr><td></td><td>I</td><td>Description of the project and its history since conceptualization</td><td>N/A</td></tr>
<tr><td></td><td>II</td><td>Starting date and expected date of completion of work</td><td>N/A</td></tr>
<tr><td></td><td>III</td><td>Time by which such project shall become commercially operational</td><td>N/A</td></tr>
<tr><td></td><td>IV</td><td>Expected time by which the project shall start paying return on investment</td><td>N/A</td></tr>
<tr><td></td><td>V</td><td>Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts</td><td>N/A</td></tr>
<tr><td colspan="3">(B) General Disclosures:</td><td></td></tr>
<tr><td>(i)</td><td colspan="2">Maximum amount if investment to be made</td><td>Upto PKR 1,000,000,000 (Pak Rupees One Billion Only)</td></tr>
<tr><td>(ii)</td><td colspan="2">Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</td><td>Purpose:
Renewal of working capital loan.</td></tr>
</table>

		Benefits: The Company expects better income through higher interest rates charged to NHPL which will eventually enhance the return on investment of the shareholders of the Company. The investment in NHPL will be for a period of one(1) year and shall payable within one(1) year from the date of approval by the members unless renewed by the members under Section 199 of the Companies Act, 2017.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:	Company's own funds.
	(I) Justification for investment through borrowings	N/A
	(II) Detail of Collateral, guarantees provided and assets pledged for obtaining such funds	N/A
	(III) Cost of benefit analysis	N/A
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Followings are the salient features of loan agreement already in existence: Interest due on outstanding amount of loan shall be paid by the associated company on monthly basis on 20th of every month starting from the next month. In case of delay in re-payment of principal and interest, an additional sum equivalent to 7.50% per annum on the unpaid amount for the period for which the payment is delayed, shall be paid by Nishat Hotels and Properties Limited to D. G. Khan Cement Company Limited in addition to the agreed interest amount. All payments under the loan agreement shall be made through crossed cheque. The associated company shall provide corporate guarantee to secure extension of loan.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The interest, direct or indirect in the associated company and the transaction under consideration is detailed as under: The directors, sponsors and majority shareholders of D. G. Khan Cement Company Limited (DGKC) and their relatives holding shares of Nishat Hotels and Properties Limited (NHPL) are interested to the extent of their shareholding in NHPL as under:-

<table>
<tr><td></td><td></td><td>Directors: — % of Shareholding
Mian Raza Mansha — 21.69
(Common Director)

Sponsors:
Mian Umer Mansha — 21.82
Mian Hassan Mansha — 21.82
Both brothers of Mian Raza Mansha.
Majority Shareholders
Nishat Mills Limited — 7.40

The directors, sponsors and majority shareholders of Nishat Hotels and Properties Limited (NHPL) and their relatives holding shares of D. G. Khan Cement Company Limited (DGKC) are interested to the extent of their shareholding in DGKC as under:-

Directors:
Name: — % of Shareholding
Mian Raza Mansha — 2.90
Mian Umer Mansha — 6.23
Mian Hassan Mansha — 6.14
Mr. I.U. Niazi — 0.00

Majority Shareholders
Name: — % of Shareholding
Nishat Mills Limited — 31.40
Security General Insurance Co. Ltd. — 0.05</td></tr>
<tr><td>(vi)</td><td>In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs</td><td>The Company has invested in 104.167 million shares with Rs.10/- per share face value in NHPL. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the company has estimated a fair value of Rs 13.95 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of NHPL.

The Company has previously provided NHPL a loan of Rs. 765 million as working capital. The Company has already earned Rs. 209.6 million as mark-up income on said loan. The price for this loan would increase, subject to approval by shareholders, in line with prevailing situation of financial market.</td></tr>
<tr><td>(vii)</td><td>Any other important details necessary for the members to understand the transaction</td><td>None</td></tr>
</table>

Additional disclosure regarding investment in the form of Loan/Advance		
(i)	Category-wise amount of investment	Working Capital / Running Finance Loan upto PKR 1,000,000,000 (Pak Rupees One Billion Only).
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return unfunded facilities, as the case may be, for the relevant period.	The current average borrowing cost of the Company as on September 17, 2020 is 1-Month KIBOR +0.4%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	1 Months KIBOR + 100 bps. (which shall not be less than the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period or the borrowing cost of the company whichever is higher) 1 Month KIBOR as on September 17, 2020 is 7.37%.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Corporate Guarantee of the associated company.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable.	Not applicable
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	Repayment of principal will be made within one year of the approval by the shareholders while payment of interest due will be made on monthly basis.

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of Investee Company	Hyundai Nishat Motor (Private) Limited (HNMPL)		Nishat Hotels and Properties Limited	Adamjee Insurance Company Limited
Total Investment Approved:	Equity investment upto Rupees 850 million was approved in EOGM held on March 28, 2018 and further enhanced from PKR 850 million to PKR 1,050 million by the shareholders in their AGM held on October 28, 2019 for the period of 4 years.	Guarantee / continuing Stand by Letter(s) of Credit (SBLC) for an amount of up to PKR 1,000 Million for a tenure of 7.5 years was approved by members in EOGM held on March 28, 2018 and further enhanced from PKR 1,000 million to PKR 1,277 million by the shareholders in their AGM held on October 28, 2019 for the period of 7.5 years.	Equity investment upto Rupees 200 million was approved by members in EOGM held on April 17, 2019 for the period of three (3) years.	Equity investment upto Rupees 721.620 million was approved by members in AGM held on October 27, 2018 for the period of 3 years.
Amount of Investment Made to date:	Investment of Rupees 848.238 million has been made against this approval to date.	Guarantee of Rs. 1,208.524 million provided by the Company to the lenders of Hyundai Nishat Motors (Pvt) Limited against this approval	Investment of Rupees 41.67 million has been made against this approval to date.	Investment of Rupees 22.920 million has been made against this approval to date.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:	Partial investment has been made in investee company. Commercial operations of the investee company have not yet started. The Company will make further equity investment as and when further shares offered by HNMPL.	Partial guarantee has been extended after the approval. The Company will arrange issuance of further Guarantee /SBLC as and when requested by HNMPL within the approved time line and amount.	Partial investment has been made in investee company. Commercial operations of the investee company have not yet started. The Company will make further equity investment as and when further shares offered by NHPL.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic loss per share was Rs.19.67 and breakup value per share was Rs. 4.85. As per latest available half yearly financial statements for the half year ended June 30, 2020 the basic loss per share is Rs. (1.72) and breakup value per share is Rs. 7.35.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic loss per share was Rs.19.67 and breakup value per share was Rs. 4.85. As per latest available half yearly financial statements for the half year ended June 30, 2020 the basic loss per share is Rs. (1.72) and breakup value per share is Rs. 7.35.	At the time of approval, as per available latest audited financial statements for the year ended June 30, 2018, the basic loss per share was Rs.0.30 and breakup value per share was Rs. 12.65. As per latest available un-audited financial statements for the 9 months ended March 31, 2020 the basic loss per share is Rs. (0.62) and breakup value per share is Rs. 18.61.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic earnings per share was Rs.3.49 and breakup value per share was Rs. 47.98. As per latest available audited financial statements for the year ended December 31, 2019, the basic earnings per share is Rs. 5.18 and breakup value per share is Rs. 61.09.

Form of Proxy

I /We ____

of ____

being a member of D.G Khan Cement Company Limited, hereby appoint ____________________

____

of ____

or failing him/her ____

of ____

member(s) of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 28, 2020 (Wednesday), at 11:30 a.m at Nishat Hotel, (Emporium Mall), Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore

as witness may hand this ______________ day of ________ 2020

Signed by the said member ____________________

in presence of ____________________

Please affix revenue stamp Rs. 50

Signature(s) of Member(s)

Signature of witness ....

Name ....

Address ....

....

CNIC # ....

Signature of witness ....

Name ....

Address ....

....

CNIC # ....

Please quote:

Folio No.	Shares held	CDC A/C. No.

Important: This instrument appointing a proxy, duly completed, must be received at the Registered Office of the Company at Nishat House, 53-A, Lawrence Road, Lahore not later than 48 hours before the time to holding the annual general meeting.

D.G. KHAN CEMENT
COMPANY LIMITED

AFFIX
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Nishat House, 53-A, Lawrence Road,
Lahore-Pakistan.
UAN:+92-42-111-11-33-33

پراکسی فارم

میں/ہم مسمی/مسماۃ-------------------------ساکن-------------------------ضلع-----------------------------------

بحثیت ممبر کمپنی، مسمی/مسماۃ-----------------------------ساکن-----------------------------کمپنی ممبر یا اُسکی عدم موجودگی کی صورت میں

مسمی/مسماۃ-----------------------------ساکن-----------------------کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں تاکہ وہ میری/ہماری جگہ

اور میری/ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ ۲۸ اکتوبر ۲۰۲۰ء بوقت صبح 11:30 بجے امپوریم مال، دی نشاط ہوٹل، ٹریڈ اینڈ فنانس سنٹر بلاک، نزد ایکسپو سنٹر، عبدالحق روڈ، جوہر ٹاؤن، لاہور میں منعقد ہو رہا ہے میں بول سکے اور ووٹ ڈال سکے۔

دستخط بتاریخ-------------- دن---------- 2020ء

پچاس روپے کی ریونیو سٹمپ چسپاں کریں

گواہ کوائف

دستخط:------------------------

نام:-------------------------

پتہ:-------------------------

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:----------

گواہ کوائف

دستخط:------------------------

نام:-------------------------

پتہ:-------------------------

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:----------

فولیو نمبر:---------------------

سی ڈی سی کھاتہ نمبر:---------------

حصص کی تعداد:----------------

دستخط:---------------------------

(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہئیں)

اہم:

پراکسی فارم، کمپنی کے رجسٹرڈ آفس، نشاط ہاؤس، 53-A، لارنس روڈ، لاہور، میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل جمع کرانا لازمی ہے۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔

D.G. KHAN CEMENT
COMPANY LIMITED

AFFIX
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POSTAGE

Nishat House, 53-A, Lawrence Road,
Lahore-Pakistan.
UAN:+92-42-111-11-33-33

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

VERSATILE Ph: +92 42 3712 1920