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

SECY/STOCKEXC/

October 04, 2018

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, 2018**

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, 2018.

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 25, 2018 issued by A. F. Ferguson & Co., Chartered Accountants, the external auditors of the Company.

Thanking you,

Yours truly,

KHALID MAHMOOD CHOHAN
COMPANY SECRETARY

NISHAT

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D. G. KHAN CEMENT COMPANY LIMITED

STATEMENT OF FREE FLOAT OF SHARES

	Quarter 1 As on 30.09.2017	**Quarter 2 As on 31.12.2017**	**Quarter 3 As on 31.03.2018**	**Quarter 4 As on 30.06.2018**
Total Outstanding Shares	438,119,118	438,119,118	438,119,118	438,119,118
Less: Government Holdings	(3,729,646)	(4,034,946)	(6,000,746)	(7,073,246)
Less: Shares held by Directors / Sponsors / Senior Management Officers and their associates	(50,090,756)	(50,090,756)	(50,090,756)	(50,350,756)
Less: Shares in Physical Form	(46,444,377)	(46,444,377)	(46,440,746)	(46,450,664)
Less: Shares held by Associate companies / Group Companies **(Cross holdings)**	(118,615,312)	(118,605,312)	(118,606,312)	(119,831,312)
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	219,239,027	218,943,727	216,980,558	214,413,140

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

September 25, 2018

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The Company Secretary
D.G. Khan Cement Company Limited
Lahore

Dear Sir

INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES AS AT SEPTEMBER 30, 2017, DECEMBER 31, 2017, MARCH 31, 2018 and JUNE 30, 2018

We enclose our independent reasonable assurance report on statement of free float of shares of the D.G. Khan Cement Company Limited ('the Company') as at September 30, 2017, December 31, 2017, March 31, 2018 and June 30, 2018.

We wish to place on record, our appreciation for the courtesy and co-operation extended to us by the Company's personnel during the course of our engagement.

Yours truly

Afferguson & Co.

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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.

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, 2017, December 31, 2017, March 31, 2018 and June 30, 2018.

2. Applicable criteria

The criteria against which the Statement is assessed is Regulation No. 5.7.2(c)(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 5.6.4(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, 2017, December 31, 2017, March 31, 2018 and June 30, 2018 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.

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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, 2017, December 31, 2017, March 31, 2018 and June 30, 2018 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(c)(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 25, 2018

2018
Annual Report
D.G. KHAN CEMENT
COMPANY LIMITED

NISHAT

DG CEMENT

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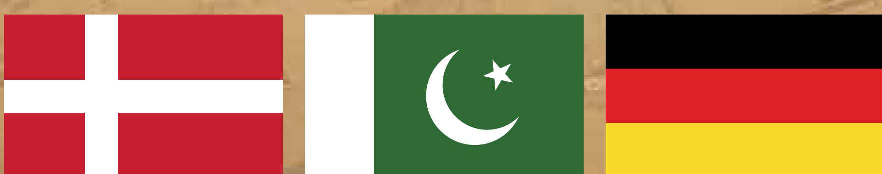
CEMENT

Hub Cement Plant of D.G. Khan Cement Company Limited

DGKC proudly presents its newly built, recently completed and successfully operational green field 9000 tons per day clinker, integrated cement plant – Hub Plant.

This more of a strategic expansion will give physical presence in South – near port, with better ability to cater the southern side local demand and sea-route exports.

The installed plant is of European origin. Pyro process is obtained from FLSmidth of Denmark. Cement Mills, Coal Mills and Raw Mills are from Loesche GMBH of Germany and Packing Plant is from Haver & Boecker of Germany. Renowned local organisations were hired for civil, mechanical and fabrication work.



The project started in mid of 2015 and was completely set up by May 2018. The project activity time spans on about 3 years.

The Company has not only concentrated on bringing in latest, efficient and state of the art technology to Pakistan but also enormous efforts have been spent on aesthetics and architectural planning. The plant is latest, unique and efficient. This will bring more economy and enhances margins.

We thank government and its institutions, all our vendors, contractors and suppliers on achieving this milestone. We gratitude all the labour involved in this project and our employees whose efforts are simply amazing.

This plant would be great addition to our fleet and a landmark for Pakistan Cement Industry.

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
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Contents

Section - A

This section is prepared on best effort basis. Besides company's own data and other information, this involves macro-economic, international and national data, estimates, forecasts and opinions available publicly. Such figures may vary among organizations producing such data. Furthermore, interpretations and derivations from this information could be different from person to person.

Wherever dividend for FY18 is referred in this section, that is subject to approval from shareholders of the Company. Where period/year is referred to in analysis, it is financial year that starts from July 01 and ends on June 30 unless contrary is stated specifically. Wherever sales quantity is reported, it is exclusive of own consumption.

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.

Chairperson's Message

I feel pride to write down my views and feelings on close of another successful year of the Company.

The recently completed year – financial year 2018, is very special to us. This year marks the success in not only adding another plant but another site to our company operations. 9,000 tons per day Hub Plant is indeed a marvelous addition. This project is conceived on backdrop of strategy to cater demand of southern provinces of country, lifting up of exports and Company's operational presence in south of country as we already hold production facilities in north and central Pakistan. I am hopeful that this plant will bring far reaching fruits to the Company in times to come.

Pakistan economic digits, though not very comfortable, but not so disappointing. The institutions of Pakistan, intrinsic national resilience and strategic position of Pakistan are strong enough to cater the situation. On the world level political and economic winds are on a fast changing mode. Instead of panic, shield is needed in propelling winds to safeguard and rather it is prudent and worthwhile to install windmills.

The core three areas that need to be addressed on war footing and prioritized are foreign direct investment, manufacturing base development and agriculture.

The Company results for financial year 2018 though declined but not unusual in prevailing economic and industry situation. I am confident on Company's bright future.

Naz Mansha
Chairperson

Chief Executive's Review

I am feeling superb and joyful to share with you year highlights of the Company and successful start up of our new production line of 9,000 tons per day at Hub, District Lasbela, Baluchistan.

The setting up of this new plant was taken as a challenge. Today I recall those moments about three years back when we initiated this project. It was certainly an uphill task develop a green field. I remember the marathon meetings, day and night struggle, monitoring and evaluation we gone through during these years. But it was a valuable experience. I like to mention and thank here all those who participated and facilitated in this project.

As the project is now live, the next phase of efforts is on and that is to effectively and efficiently run this plant. As we met success in first phase, we will do the next in much better way by grace of Almighty.

FY18 was a year of rising financing rates, sheer devaluation of local currency, elections and dwindling economy. Yet in this, the industrial despatches touched a double-digit growth.

The Company's highlights for year FY18 are:

GP to Sales (%):	28.50
PBT to Sales (%):	24.03
PAT to Sales (%):	28.82
EBITDA to Sales (%):	33.24
ROE - Dou Pont (%):	11.46
Dividend/Share (PKR):	4.25
EPS:	20.17
Break Up Value/Share (PKR):	176.06
Debt to Equity (%):	41.81
Equity to Total Assets (%):	63.28
Clinker Production (% change wrt last year):	2.29
Local Sales (% change wrt last year):	11.74
Total Sales Utilisation (%):	113.96
Local Sales Utilisation (%):	103.11
Exports Sales Utilisation (%):	10.85

Raza Mansha
Chief Executive Officer

The Company

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.

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
Customs Laws
Property Laws
Labour Laws
Health & Safety Laws
Environmental Laws
Banking Regulations
Consumers Laws
Competition Laws

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

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 expansive 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. D.G. 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%. D.G. 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 Strenth 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

Brands

Contact Details

Registered Office & Head Office
Nishat House, 53-A, Lawrence Road, Lahore, Pakistan

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Khofli Sattai, Distt. Dera Ghazi Khan, Pakistan

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Phone: +92-42-36360153
Phone: +92-64-2474201 / 2474202
Fax: +92-64-2460028
Email: info@dgcement.com

Khairpur Factory Site
12-KM, Choa Saiden Shah-Kallar Kahar Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal, Pakistan

Phone: +92-42-36360152
Phone: +92-543-555130
Fax: +92-543-650231
Email: info@dgcement.com

Hub Factory Site
44-KM Main RCD Highway, Hub, Baluchistan, Pakistan

UAN: +92-202-111 11 33 33
Email: info@dgcement.com

Rawalpindi Sales Office
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Karachi, Pakistan
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Phone: +92-21-34922719, 34935030-40
Fax: +92-21-34935362
Email: zdin.khi@dgcement.com

Production Facilities

Plant Make

Description	Site	Manufacturer	Capacity	Year Installed
Cement Plant (line-1)	DGK	UBE Industries, Japan	2000 tpd	1986
Cement Plant (line-1)	DGK	FLSmidth, Denmark	200 tpd	1994
Cement Plant (line-2)	DGK	FLSmidth, Denmark	4000 tpd	1998/2005
Cement Plant (line-1)	DGK	FLSmidth, Denmark	500 tpd	2005
Cement Plant	KHP	FLSmidth, Denmark	6700 tpd	2007
Kiln	HUB	FLSmidth, Denmark	9000 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		
WHR Plant	DGK	Nanjing Turbine Electricity Machinery Group Company	10.4 MW	
WHR Plant	KHP	FLSmidth, Denmark	4 MW	
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	9000 tpd	22400 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 Requirements

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

Electricity Generation Capacity (MW)

	Furnace Oil	Gas	Dual Fuel (FO+G)	WHR	Coal	Total
DGK	23.84K	24.6	-	10.4	33	**91.84**
KHP	-	-	33	4	-	**37**
Total	**23.84**	**24.6**	**33**	**14.4**	**33**	**128.84**

*1MW Solar Electricity Generation System is installed at Hub.

Nishat

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 Capitalisation as on June 30, 2018 is about PKR 406 billion (about USD 3.6 billion). The Group regular employees more than 41,000 employees. As per last available audited financials for 2017, Group's total assets are about more than PKR 1,800 billion (about USD 16 billion). As on June 30, 2018, 60% of group market capitalisation is occupied by banking sector, cement and textiles both hold 12% each, power 6%, hotels & properties 3% and insurance 4%.

The Group has notable presence in following business sectors:

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

Group Companies

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

Corporate Structure
Pattern of Share Holding as at June 30, 2018

NO. OF SHAREHOLDERS	HAVING SHARES From	HAVING SHARES To	SHARES HELD	PERCENTAGE
1,598	1	100	82,007	0.0187
2,098	101	500	707,016	0.1614
1,207	501	1000	1,038,775	0.2371
1,689	1001	5000	4,357,130	0.9945
459	5001	10000	3,634,157	0.8295
184	10001	15000	2,344,820	0.5352
106	15001	20000	1,943,455	0.4436
76	20001	25000	1,780,412	0.4064
54	25001	30000	1,527,597	0.3487
44	30001	35000	1,437,754	0.3282
30	35001	40000	1,152,596	0.2631
26	40001	45000	1,116,144	0.2548
36	45001	50000	1,761,937	0.4022
12	50001	55000	629,004	0.1436
17	55001	60000	998,172	0.2278
10	60001	65000	637,600	0.1455
20	65001	70000	1,371,972	0.3132
19	70001	75000	1,383,336	0.3157
13	75001	80000	1,030,000	0.2351
9	80001	85000	749,153	0.1710
5	85001	90000	442,185	0.1009
12	90001	95000	1,114,338	0.2543
15	95001	100000	1,485,500	0.3391
3	100001	105000	309,500	0.0706
6	105001	110000	646,609	0.1476
4	110001	115000	450,850	0.1029
4	115001	120000	473,200	0.1080
4	120001	125000	497,000	0.1134
6	125001	130000	769,673	0.1757
4	130001	135000	533,900	0.1219
1	135001	140000	138,800	0.0317
2	140001	145000	286,000	0.0653
5	145001	150000	746,100	0.1703
4	150001	155000	613,479	0.1400
3	155001	160000	471,200	0.1076
3	160001	165000	485,741	0.1109
2	165001	170000	331,517	0.0757
1	170001	175000	170,182	0.0388
7	190001	195000	1,351,035	0.3084
2	195001	200000	400,000	0.0913
3	200001	205000	611,800	0.1396
2	205001	210000	415,400	0.0948
1	210001	215000	215,000	0.0491
3	215001	220000	656,000	0.1497
4	220001	225000	894,900	0.2043
6	225001	230000	1,370,830	0.3129
1	230001	235000	232,000	0.0530
1	240001	245000	241,500	0.0551

Continued →

NO. OF SHAREHOLDERS	HAVING SHARES From	To	SHARES HELD	PERCENTAGE
4	245001	250000	992,900	0.2266
2	250001	255000	505,700	0.1154
3	255001	260000	774,900	0.1769
2	270001	275000	546,500	0.1247
1	275001	280000	276,074	0.0630
1	280001	285000	280,973	0.0641
2	285001	290000	579,700	0.1323
2	290001	295000	584,368	0.1334
3	295001	300000	897,800	0.2049
1	300001	305000	304,244	0.0694
1	305001	310000	305,600	0.0698
1	310001	315000	315,000	0.0719
1	320001	325000	322,232	0.0735
1	325001	330000	329,260	0.0752
2	330001	335000	669,100	0.1527
2	340001	345000	686,200	0.1566
1	345001	350000	345,310	0.0788
2	350001	355000	702,889	0.1604
1	360001	365000	361,600	0.0825
2	365001	370000	737,024	0.1682
3	375001	380000	1,133,900	0.2588
1	390001	395000	390,700	0.0892
4	395001	400000	1,600,000	0.3652
2	400001	405000	806,300	0.1840
1	410001	415000	414,500	0.0946
1	415001	420000	420,000	0.0959
1	420001	425000	425,000	0.0970
1	430001	435000	435,000	0.0993
1	435001	440000	435,006	0.0993
1	440001	445000	443,400	0.1012
1	445001	450000	450,000	0.1027
1	450001	455000	455,000	0.1039
1	470001	475000	475,000	0.1084
2	480001	485000	967,000	0.2207
2	485001	490000	978,600	0.2234
1	495001	500000	500,000	0.1141
1	500001	505000	501,500	0.1145
1	510001	515000	513,200	0.1171
1	525001	530000	527,000	0.1203
1	535001	540000	538,986	0.1230
1	540001	545000	542,700	0.1239
2	550001	555000	1,106,300	0.2525
1	560001	565000	561,870	0.1282
2	580001	585000	1,165,907	0.2661
1	585001	590000	587,000	0.1340
1	595001	600000	600,000	0.1369
2	600001	605000	1,206,780	0.2754
1	610001	615000	615,000	0.1404
1	625001	630000	626,300	0.1430
2	635001	640000	1,277,900	0.2917
1	640001	645000	644,848	0.1472
1	650001	655000	650,900	0.1486

Continued →

NO. OF SHAREHOLDERS	HAVING SHARES From	HAVING SHARES To	SHARES HELD	PERCENTAGE
1	665001	670000	667,500	0.1524
1	675001	680000	680,000	0.1552
1	680001	685000	683,000	0.1559
1	685001	690000	686,900	0.1568
1	690001	695000	693,100	0.1582
2	695001	700000	1,400,000	0.3195
1	725001	730000	726,520	0.1658
1	745001	750000	748,640	0.1709
1	775001	780000	779,600	0.1779
1	795001	800000	800,000	0.1826
1	855001	860000	855,900	0.1954
1	870001	875000	873,300	0.1993
1	895001	900000	895,009	0.2043
1	900001	905000	904,093	0.2064
1	920001	925000	922,295	0.2105
1	935001	940000	936,000	0.2136
1	955001	960000	955,600	0.2181
1	960001	965000	962,800	0.2198
1	965001	970000	965,700	0.2204
1	980001	985000	981,849	0.2241
1	995001	1000000	1,000,000	0.2282
1	1020001	1025000	1,025,000	0.2340
1	1105001	1110000	1,109,100	0.2532
1	1110001	1115000	1,112,400	0.2539
1	1125001	1130000	1,129,000	0.2577
1	1145001	1150000	1,147,900	0.2620
1	1175001	1180000	1,177,000	0.2686
1	1205001	1210000	1,209,600	0.2761
1	1245001	1250000	1,250,000	0.2853
1	1260001	1265000	1,265,000	0.2887
1	1310001	1315000	1,313,405	0.2998
1	1365001	1370000	1,369,300	0.3125
1	1420001	1425000	1,425,000	0.3253
1	1445001	1450000	1,448,342	0.3306
2	1495001	1500000	3,000,000	0.6847
1	1500001	1505000	1,500,507	0.3425
1	1570001	1575000	1,571,700	0.3587
1	1645001	1650000	1,649,581	0.3765
1	1720001	1725000	1,723,400	0.3934
1	1730001	1735000	1,732,000	0.3953
2	1755001	1760000	3,517,246	0.8028
1	1815001	1820000	1,816,000	0.4145
1	1825001	1830000	1,826,600	0.4169
1	1955001	1960000	1,956,760	0.4466
1	1995001	2000000	2,000,000	0.4565
1	2035001	2040000	2,036,900	0.4649
1	2100001	2105000	2,105,000	0.4805
1	2245001	2250000	2,249,000	0.5133
1	2390001	2395000	2,394,100	0.5464
1	2515001	2520000	2,515,600	0.5742
1	2550001	2555000	2,550,200	0.5821
1	2750001	2755000	2,751,700	0.6281

Continued →

NO. OF SHAREHOLDERS	HAVING SHARES From	To	SHARES HELD	PERCENTAGE
1	2760001	2765000	2,760,400	0.6301
1	2765001	2770000	2,765,911	0.6313
1	2865001	2870000	2,867,900	0.6546
1	2895001	2900000	2,896,000	0.6610
1	3065001	3070000	3,069,500	0.7006
1	3240001	3245000	3,240,432	0.7396
1	3355001	3360000	3,358,344	0.7665
1	3505001	3510000	3,506,650	0.8004
1	3695001	3700000	3,700,000	0.8445
1	3795001	3800000	3,795,400	0.8663
1	3895001	3900000	3,900,000	0.8902
1	4375001	4380000	4,379,670	0.9997
1	4430001	4435000	4,430,135	1.0112
1	4440001	4445000	4,441,000	1.0137
1	4635001	4640000	4,635,974	1.0582
1	4905001	4910000	4,909,249	1.1205
1	5615001	5620000	5,617,800	1.2823
1	5760001	5765000	5,765,000	1.3159
1	6005001	6010000	6,006,253	1.3709
1	6050001	6055000	6,054,822	1.3820
1	8060001	8065000	8,060,906	1.8399
1	10405001	10410000	10,409,200	2.3759
1	11145001	11150000	11,149,920	2.5450
1	15885001	15890000	15,889,997	3.6269
1	21385001	21390000	21,389,060	4.8820
1	22925001	22930000	22,929,033	5.2335
1	114645001	114650000	114,645,168	26.1676
7982		Total	438,119,118	100.00

Categories of Shareholders As on June 30, 2018

		SHARES HELD	%
1.	Directors, Chief Executive Officer, and their spouse and minor children	18,705,596	4.27
2.	Associated Companies, undertakings and related parties.	141,161,045	32.22
3.	NIT and ICP	1,651,081	0.38
4.	Banks Development Financial Institutions Non Banking Financial Institutions.	18,702,108	4.27
5.	Insurance Companies	7,570,775	1.73
6.	Modarabas and Mutual Funds	31,060,520	7.09
7.	Shareholders holding 10%	137,574,201	31.40
8.	General Public:		
	a. Local	70,830,591	16.17
	b. Foreign	4,672,420	1.07
9.	Others		
	Joint Stock Companies	12,210,397	2.79
	Investment Companies	1,209,756	0.28
	Pension Funds, Provident Funds etc.	17,208,981	3.93
	Foreign Companies	58,700,618	13.40

Additional Information as on June 30, 2018

			No. of Shares	%
I.	**Associated Companies, undertakings and related parties**			
	Nishat Mills Limited	- Associated Company	137,574,201	31.40
	Adamjee Insurance Company Limited	- Associated Company	3,358,344	0.77
	Security General Insurance Company Limited	- Related	228,500	0.05
II.	**Mutual Funds:**			
	CONFIDENCE MUTUAL FUND		573	0.00
	UNICOL LIMITED EMPLOYEES PROVIDENT FUND		10,000	0.00
	PRUDENTIAL STOCK FUND LTD.		413	0.00
	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND		450,000	0.10
	CDC - TRUSTEE ATLAS STOCK MARKET FUND		779,600	0.18
	CDC - TRUSTEE MEEZAN BALANCED FUND		895,009	0.20
	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND		17,000	0.00
	CDC - TRUSTEE FAYSAL STOCK FUND		40,000	0.01
	CDC - TRUSTEE ALFALAH GHP VALUE FUND		192,100	0.04
	CDC - TRUSTEE UNIT TRUST OF PAKISTAN		100,500	0.02
	CDC - TRUSTEE AKD INDEX TRACKER FUND		48,687	0.01
	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND		10,000	0.00
	CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND		553,000	0.13
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND		1,313,405	0.30
	CDC - TRUSTEE MEEZAN ISLAMIC FUND		6,054,822	1.38
	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND		10,000	0.00
	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND		455,000	0.10
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND		615,000	0.14
	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND		580,907	0.13
	CDC - TRUSTEE NAFA STOCK FUND		1,147,900	0.26
	CDC - TRUSTEE NAFA MULTI ASSET FUND		58,100	0.01
	CDC - TRUSTEE MCB DCF INCOME FUND		290,000	0.07
	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND		22,000	0.01
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND		637,900	0.15
	CDC - TRUSTEE APF-EQUITY SUB FUND		42,000	0.01
	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND		748,640	0.17
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND		686,900	0.16
	CDC - TRUSTEE APIF - EQUITY SUB FUND		83,000	0.02
	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND		500,000	0.11
	CDC - TRUSTEE ALFALAH GHP STOCK FUND		273,900	0.06
	CDC - TRUSTEE ALFALAH GHP ALPHA FUND		205,400	0.05
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND		3,240,432	0.74
	CDC - TRUSTEE ABL STOCK FUND		1,109,100	0.25
	M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND		36,000	0.01
	CDC - TRUSTEE FIRST HABIB STOCK FUND		11,000	0.00
	CDC - TRUSTEE LAKSON EQUITY FUND		280,973	0.06
	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND		88,500	0.02
	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT		55,800	0.01
	CDC-TRUSTEE HBL ISLAMIC STOCK FUND		195,000	0.04
	CDC - TRUSTEE HBL IPF EQUITY SUB FUND		28,000	0.01
	CDC - TRUSTEE HBL PF EQUITY SUB FUND		41,000	0.01

	No. of Shares	%
CDC - TRUSTEE ASKARI EQUITY FUND	45,000	0.01
CDC - TRUSTEE KSE MEEZAN INDEX FUND	435,000	0.10
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	44,000	0.01
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	95,000	0.02
CDC - TRUSTEE LAKSON INCOME FUND - MT	84,100	0.02
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	13,000	0.00
CDC - TRUSTEE ATLAS INCOME FUND - MT	41,500	0.01
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	513,200	0.12
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	31,500	0.01
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	13,000	0.00
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	700	0.00
CDC - TRUSTEE NIT INCOME FUND - MT	229,000	0.05
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	12,700	0.00
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	129,200	0.03
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	70,200	0.02
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	115,200	0.03
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	3,400	0.00
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	25,900	0.01
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	21,900	0.00
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	965,700	0.22
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	297,800	0.07
CDC - TRUSTEE PIML VALUE EQUITY FUND	30,000	0.01
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	10,800	0.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	2,249,000	0.51
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	70,500	0.02
CDC-TRUSTEE NITPF EQUITY SUB-FUND	32,000	0.01
MCBFSL - TRUSTEE NAFA INCOME FUND - MT	147,700	0.03
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	10,000	0.00
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	904,093	0.21
CDC - TRUSTEE PIML ASSET ALLOCATION FUND	50,000	0.01
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	246,500	0.06
ABA ALI HABIB SECURITIES (PVT) LIMITED - MF	28,500	0.01
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	72,100	0.02
MC FSL TRUSTEE JS - INCOME FUND - MT	158,600	0.04
CDC - TRUSTEE FAYSAL MTS FUND - MT	21,500	0.00
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	489,000	0.11
CDC - TRUSTEE LAKSON TACTICAL FUND	55,140	0.01
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	9,943	0.00
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	163,600	0.04
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	403,800	0.09
CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	107,900	0.02
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	329,260	0.08
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	305,600	0.07
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	45,500	0.01
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	3,000	0.00

			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	12,696,880	2.90
	Mr. Khalid Niaz Khawaja	Diretcor	2,000	0.00
	Mr. Mohammad Arif Hameed	Director	500	0.00
	Mr. Khalid Qadeer Qureshi	Director	720	0.00
	Mr. Farid Noor Ali Fazal	Director	1,200	0.00
	Mr. Shahzad Ahmad Malik	Director	100	0.00
	Mrs. Ammil Raza Mansha	Spouse of CEO	5,891,098	1.34
IV.	**Executives:**			
	Mr. I.U. Niazi	Chief Financial Officer	2,775	0.00
V.	**Public Sector Companies and Corporations:**			
	Joint Stock Companies		12,210,397	2.79
VI.	**Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds:**			
	Investment Companies		1,209,756	0.28
	Insurance Companies		7,570,775	1.73
	Financial Institutions		18,702,108	4.27
	Modaraba Companies		21,923	0.01
	Mutual Funds		31,038,597	7.08
	Pension Funds/Providend Funds Etc.		17,208,981	3.93
VII.	**Shareholders holding Five percent or more voting interest in the Listed Company**			
	Mian Umer Mansha		27,395,313	6.25
	Mian Hassan Mansha		27,039,917	6.17
	Nishat Mills Limited		137,574,201	31.40

There is no 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, 2017 to June 30, 2018.

DGKC-Group Cross Investments

Holding in DGKC

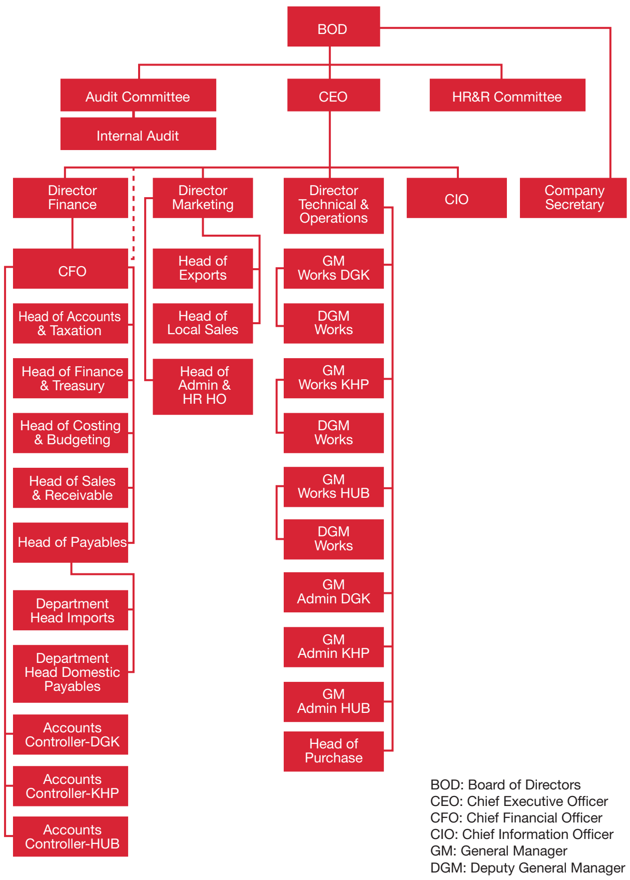
Share Holder	No. of Shares	%
Nishat Mills Limited	137,574,201	31.40
Adamjee Insurance Company Limited	3,358,344	0.77
Security General Insurance Company Limited	228,500	0.05
Mrs. Naz Mansha	113,098	0.03
Mian Raza Mansha	12,696,880	2.90
Mrs. Ammil Raza Mansha	5,891,098	1.34
Mian Umer Mansha	27,395,313	6.25
Mian Hassan Mansha	27,039,917	6.17
	214,297,351	**48.91**

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.	27,229,235	7.78
Nishat Paper Products Co. Ltd.	25,595,398	55.00
Nishat Dairy (Pvt) Limited	270,000,000	55.10
Nishat Hotels and Properties Limited	100,000,000	10.42
Hyundai Nishat Motor (Pvt) Ltd.	15,000,000	10.00

Management

Organogram



Board of Directors

1.	Mrs. Naz Mansha (Chairperson)	Non-Executive
2.	Mr. Raza Mansha (CEO)	Executive
3.	Mr. Khalid Qadeer Qureshi	Non-Executive
4.	Mr. Farid Noor Ali Fazal	Executive
5.	Mr. Shehzad Ahmad Malik	Non-Executive
6.	Mr. Khalid Niaz Khawaja	Independent
7.	Mr. Mohammad Arif Hameed	Non-Executive

Secretary to the Board

Mr. Khalid Mehmood Chohan

Audit Committee

1.	Mr. Khalid Niaz Khawaja *(Member/Chairman)*	Independent Director
2.	Mr. Khalid Qadeer Qureshi *(Member)*	Non- Executive Director
3.	Mr. Mohammad Arif Hameed *(Member)*	Non- Executive Director

Human Resource & Remuneration (HR&R) Committee

1.	Mr. Khalid Niaz Khawaja *(Member/Chairman)*	Independent Director
2.	Mian Raza Mansha *(Member)*	Executive Director
3.	Mr. Khalid Qadeer Qureshi *(Member)*	Non- Executive Director

Executive Management

1.	Mr. Raza Mansha	Chief Executive Officer
2.	Mr. Aftab Ahmed Khan	Director Finance
3.	Mr. Farid Noor Ali Fazal	Director Marketing
4.	Dr. Arif Bashir	Director Technical
5.	Mr. Inayat Ullah Niazi	Chief Financial Officer

Profiles of Directors and Management

Mrs. Naz Mansha
Director/Chairperson

She is graduate from Kinnaird College, Lahore. She has an extensive experience spanning more than 30 years in business development. One of her recent success story is Nishat Linen which has become a top class garments and accessories brand of Pakistan equally popular in and out of the country.

She is also director and CEO of Nishat Linen (Pvt) Limited.

Mr. Raza Mansha
Director/Chief Executive Officer

He is graduate from University of Pennsylvania. He has rich experience of about 23 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 served in Information Technology Committee, Business Strategy & Development Committee and HR&R Committee in MCB.

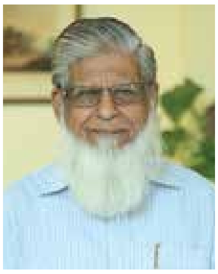
He is also a director/chairman in MCB Islamic Bank Limited and director in Nishat Hotels & Properties Limited, Nishat Dairy (Private) Limited, Nishat Agriculture Farming (Private) Limited, MNET Services (Private) Limited, Euronet Pakistan (Private) Limited, Nishat (Raiwind) Hotels & Properties Limited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

He has served as director in Sui Northern Gas Pipeline Limited.

Mr. Khalid Niaz Khawaja

Director/Independent

He is B.Sc and a Fellow of Institute of Bankers, Pakistan. His experience spans about 45 years. He is a seasoned banker with almost all his experience in banking industry.



Mr. Khalid Qadeer Qureshi

Director/ Non-Executive

He is a Fellow of The Institute of Chartered Accountants of Pakistan (ICAP) with about 48 years of experience. His expertise are in the field of finance, accounts, information systems and treasury.

He is Chairman of the Board of Directors of Nishat Power Limited.

He also has directorship in Nishat Mills Limited, Nishat Power Limited, Lalpir Power Limited and Nishat Commodities (Private) Limited.

Mr. Farid Noor Ali Fazal

Director/Executive

He holds a bachelor degree in Commerce, Law and Management. He has vast experience of about 43 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) Nishat Automobiles (Pvt.) Limited and Nishat Mills Limited as well.

Mr. Arif Hameed

Director/Non-Executive

He is a Mechanical Engineer by profession, registered with the Pakistan Engineering Council (PEC). He is also a Masters in Administrative Sciences and a Law graduate from University of the Punjab, Lahore.

Mr. Hameed has an experience of more than 39 years in the fields of Distribution, Billing, Sales, Logistics Support, Procurement and Legal.

He served as a Managing Director of Sui Northern Gas Pipelines Limited. His association with SNGPL lasted for 37 years.

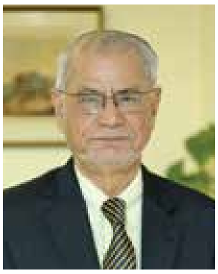
He has served as Director on boards of Sui Southern Gas Company Limited, Inter State Gas Systems (Pvt.) Limited, National Power Parks Co. (Pvt.) Ltd., Petroleum Institute of Pakistan and LUMS. He is also serving as director on the board of Adamjee Insurance Company Limited.

Mr. Shahzad Ahmad Malik
Director/Non-Executive

He is civil engineer and MBA from LUMS. His experience is of about 27 years. His main expertise is in financial management and treasury.

He has also served a s Deputy Director in Pakistan Audit and Account Service, GOP.

He is also director in Nishat Power Limited.



Mr. Aftab Ahmad Khan
Director Finance

He is a fellow member of the Institute of Chartered Accountants of Pakistan. His experience spans over half a century. He is expert in financial management, tax, audit, accounts and management affairs.

He served three Public Sector Organizations including Punjab Ghee Board, Punjab Industrial Development Board, Rice Milling Corporation of Pakistan as General Manager Finance where he played the vital role of securing funds for new projects and imports, managing investments and overall supervision. After leaving the public sector and before joining Nishat Group, he held top management positions in two different groups of industries where he was responsible for overall supervision of the finance and accounting function.

He joined Nishat Group in 1993 and has remained a part of it since then. His vast experience, dedication to work and leadership has been important for the group. Currently, he is the CEO of Lalpir Solar Power (Private) Limited and Nishat Energy Limited. He also serves on the board of Nishat Paper Product Company Ltd, Nishat (Chunian) Limited, Nishat Chunian Power Limited, Nishat Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels & Properties Limited, Nishat (Gulberg) Hotels & Properties Limited, Nishat (Raiwind) Hotels & Properties Limited, MCB Islamic Bank Limited and MCB Financial Services Limited. He served on Board of MCB Bank Limited.

Dr. Arif Bashir
Director Technical & Operations

Dr. Arif Bashir holds a Ph.D. degree in Chemical Engineering (Fuel and Energy) from University of Leads. He joined cement sector in 1982. During his career spanning over 37 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 extra ordinary skills to develop and train technical teams and has special interest in the field of applied engineering research.

He represented Pakistan on various national and international conferences. To his credit are a number of international research publications. He is also associated with educational institutions as examiner and active member of board of studies in various institutions. 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 firing that changed the entire structure of Pakistan Cement Industry.

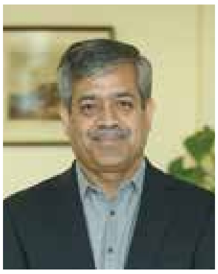
He is associated with DGKC since 1993 where he oversaw the expansion of the plant and setting up of new line of cement production. In 2004 he was given the tremendous responsibility to set up state of the art KHP factory which he successfully completed in 2007. In 2011 he was posted on the top technical post of the Company as Director (Technical & Operations).

His technical expertise and leadership has been instrumental in incredible growth of the Company. He played a pivotal role in training and professional development of the company engineers.

He is also overseeing the planning, initiation and execution of many other projects of Nishat Paper Products Co. Limited and Nishat Power.

He is also member of Punjab Chief Minister task force on fast track power projects.

He also serves on the boards of directors of Pakgen Power Limited and Nishat Paper Products Company Limited.



Mr. Inayat Ullah Niazi
Chief Financial Officer

He is a Commerce Graduate and C.A. Inter. His experience spans about 35 years. His expertise is in accounts, tax, audit, finance, treasury, budget and planning. He remained a crucial negotiator and dealer in transactons with international financial institutions, development institutions and export credit agencies.

He has served a director Lahore Stock Exchange. He is also CFO of Nishat Paper Products Company Limited.

He is also serving as a director in Security General Insurance Company Limited, Nishat Paper Products Company Limited, Pakistan Aviators & Aviation (Private) Limited, Nishat Hotels & Properties Limited, Nishat (Aziz Avenue) Hotels & Properties Limited, Nishat (Gulbeg) Hotels & Properties Limited, Nishat (Raiwind) Hotels & Properties Limited, Nishat Energy Limited, Lalpir Solar Power (Private) Limited, National Clearing Company of Pakistan, Lalpir Power Limited and LSE Financial Services Limited.

Mr. Khalid Mahmood Chohan
Company Secretary

He is a Commerce graduate. His experience tenor is about 36 years. His fields of expertise include income tax, corporate matters and secretarial practices.

He is company secretary of various companies in Nishat.

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)
Mr. Khalid Qadeer Qureshi	(Non-Executive Director)
Mr. Shahzad Ahmad Malik	(Non-Executive Director)
Mr. Farid Noor Ali Fazal	(Director/ Executive

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 2018 the BoD met five 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 19, 2018

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 Independent Director	Chairman
Mr. Mohammad Arif Hameed Non-Executive Director	Member
Mr. Khalid Qadeer Qureshi Non-Executive Director	Member

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 FY18 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, 2018 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, 2019.

Khalid Niaz Khawaja
Chairman
Board Audit Committee

Lahore
September 19, 2018

Board & its Committees Performance

Attendance of Directors in Meetings (during the year from July 01, 2017 to June 30, 2018)

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

Name of Directors	Number of Meetings Attended
Mrs. Naz Mansha (Chairperson)	5
Mr. Raza Mansha (Chief Executive Officer)	5
Mr. Khalid Qadeer Qureshi	4
Mr. Farid Noor Ali Fazal	4
Mr. Shehzad Ahmad Malik	5
Mr. Khalid Niaz Khawaja	5
Mr. Mohammad Arif Hameed	5

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

Name of Member	Number of Meetings Attended
Mr. Khalid Niaz Khawaja (Member/Chairman)	4
Mr. Khalid Qadeer Qureshi (Member)	3
Mr. Mohammad Arif Hameed (Member)	4

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

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

*Mr. Khalid Niaz Khawaja appointed as member of HR & R Committee in place of Mr. Shehzad Ahmad Malik and Chairman of HR & R Committee in place of Mr. Khalid Qadeer Qureshi with effect from January 01, 2018.

Status of Director Training Programme

Name of Director	Status of Director Training Programme
Mrs. Naz Mansha	Exempt
Mian Raza Mansha-CEO	Exempt
Mr. Khalid Niaz Khawaja	Completed
Mr. Khalid Qadeer Qureshi	Exempt
Mr. Mohammad Arif Hameed	Completed
Mr. Farid Noor Ali Fazal	Completed
Mr. Shahzad Ahmad Malik	Completed

Share Registrar, Auditors, Legal Advisor

Share Registrar

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

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

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Bankers

Bank	Long Term Rating	Short Term Rating	Outlook	Rating Agency	Rating Date
ABL	AAA	A1+	Stable	PACRA	July-18
ALHABIB	AA+	A1+	Stable	PACRA	Jun-18
ASK	AA+	A1+	Stable	PACRA	Jun-18
BAF	AA+	A1+	Stable	PACRA	Jun-18
BIPL	A+	A1	Stable	PACRA	Jun-18
BOK	A	A1	Stable	PACRA	Jun-18
BOP	AA	A1+	Stable	PACRA	Jun-18
DIB	AA-	A1	Stable	JCR-VIS	Jun-18
FBL	AA	A1+	Stable	PACRA	Jun-18
HBL	AAA	A1+	Negative	JCR-VIS	Jun-18
HMB	AA+	A1+	Stable	PACRA	Jun-18
MBL	AA+	A1+	Stable	JCR-VIS	May-18
MCB	AAA	A1+	Stable	PACRA	Jun-18
MIB	A	A1	Stable	PACRA	Jun-18
NBP	AAA	A1+	Stable	PACRA	Jun-18
SAMBA	AA	A1	Stable	JCR-VIS	Jun-18
SCB	AAA	A1+	Stable	PACRA	Jun-18
SONERI	AA-	A1+	Stable	PACRA	Jun-18
UBL	AAA	A1+	Stable	JCR-VIS	Jun-18

Stakeholders' Engagement

The guiding principles for engagement with stakeholders are:

- Timeliness
- Fairness
- Effectiveness
- Transparency

The ways of interaction and engagement are divided into scheduled and as and when required basis. The means of interaction could be formal & informal and direct & indirect.

Stake Holders	Methods Adopted
Shareholders/Investors	General Meetings/Meetings Circulation of Minutes Circulation of Company Reports Through Company Secretariat Letters/Emails/Telephone
Lenders/Analysts	Meetings Visits Conferences Letters/Emails/Telephone
Suppliers	Office Meetings Visits Letters/Emails/Telephone
Customers	Office Meetings Visits Informal Gatherings Letters/Emails/Telephone
Employees	Supervisor Interaction Informal Meetings & Gatherings Appraisals, HR Department
Regulatory Authorities	Regular Reporting On Demand Reporting Office Meetings Information Notices Letters/Emails/Telephone
Communities	Meetings Letters/Emails/Telephone

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company : D. G. Khan Cement Company Limited
Year ended : June 30, 2018

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:

Independent Director	Mr. Khalid Niaz Khawaja
Other Non-executive Director	Mrs. Naz Mansha Mr. Muhammad Arif Hameed Mr. Khalid Qadeer Qureshi Mr. Shahzad Ahmad Malik
Executive Directors	Mian Raza Mansha Mr. Farid Noor Ali Fazal

3. The directors have confirmed that none of them is serving as a director on more than five 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by 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 Chairman and, in his 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 board.

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

9. The Board has arranged Directors' Training program for the following:

Independent Director	Mr. Khalid Niaz Khawaja
Other Non-executive Director	Mr. Muhammad Arif Hameed Mr. Shahzad Ahmad Malik
Executive Directors	Mr. Farid Noor Ali Fazal

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations except for obtaining SECP's consent relating to CFO's qualification. Regulation 23(c) requires that where CFO is a graduate and has minimum seven years of managerial experience in fields of audit or accounting or in managing financial or corporate affairs of a company, the company shall obtain SECP's consent for his/her suitability. Based on the advice of the company's legal counsel, company believes that the said requirement is not applicable in the case of existing CFO since he was eligible to be appointed as CFO under the previous Code and the requirement under regulation 23(c) to obtain SECP's consent applies to a new appointment of CFO. Further, the existing CFO is a commerce graduate and has a vast experience of approximately 35 years in managing financial/corporate affairs of the company.

11. CFO and CEO 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. Muhammad Arif Hameed (Non-Executive Director)
    3. Mr. Khalid Qadeer Qureshi (Non-Executive Director)

    b) HR and Remuneration Committee

    1. Mr. Khalid Niaz Khawaja – (Independent Director) - Chairman
    2. Mian Raza Mansha (Executive Director)
    3. Mr. Khalid Qadeer Qureshi (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 (quarterly/half yearly/ yearly) of the committee were as per following:

    a) Audit Committee:
    Four quarterly meetings were held during the financial year ended June 30, 2018

b) **HR and Remuneration Committee**
One Meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2018.

15. The board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 other requirements of the Regulations have been complied with.

Naz Mansha

(Mrs. Naz Mansha)
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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of D. G. Khan Cement Company Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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, 2018.

Further, we highlight an instance of non-compliance with the requirement of the Regulations as reflected in the paragraph 10 where it is stated in the Statement of Compliance that the Company has not obtained SECP's consent relating to CFO's qualification as required by regulation 23(c) of the Regulations. Based on the reasons explained in paragraph 10 of the Statement of Compliance, Company believes that the said requirement is not applicable in the case of existing CFO.

Chartered Accountants
Lahore,
Dated: September 19, 2018
Name of engagement partner: Amer Raza Mir

Corporate Calander from July 01, 2017 to June 30, 2018

Date	Event
July 20, 2017	Notice for meeting of Board of Directors sent to Directors.
July 28, 2016	Meeting of the Board of Directors conducted for appointment of Cost Auditors for the year ended 2015-16, Approval Annual Bonus and Revision in monthly salaray of CFO, Company Secretary, Head of Internal Audit and whole time working directors, etc.etc.
September 12, 2017	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
September 12, 2017	Notice for Meeting of Board Directors for consideration of Annual Audited Accounts for the year ended June 30, 2016 sent to Directors and Stock Exchange.
September 19, 2017	Meeting of the Members of Audit Committee conducted for recommendation of Annual Audited Accounts for the year ended June 30, 2017, related party transactions, appointment of External Auditors etc.etc. to the Board of Directors for their approval.
September 19, 2017	Meeting of the Board of Directors conducted for consideration and approval of Annual Audited Accounts for the year ended June 30, 2017, Dividend, Director's Report, Related Party Transactions, Appointment of External Auditors, Agenda and Venue of AGM, to fix the number of elected directors, Appoval of Revenue and Fixed Capital Budget for the year 2017-18 etc. etc.
September 19, 2017	Financial Results for the year ended June 30, 2017 and other Coprorate Actions Sent to Stock Exchange immediately after conclusion of Board Meeting.
September 27, 2017	Notice of AGM Sent to Pakistan Stock Exchange
October 03, 2017	Notice of Annual General Meeting published in Newspapers.
October 11, 2017	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
October 11, 2017	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 1st Quarter ended September 30, 2017 Sent to Directors and Stock Exchange.
October 18, 2017	Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the 1st Quarter ended September 30, 2017, Related Party Transactions etc. etc. to the Board of Directors for their approval.
October 18, 2017	Meeting of the Board of Directors conducted for consideration and approval of Un-Audited Accounts for the 1st Quarter ended September 30, 2017, Directors Report, Related Party Transactions etc. etc.
October 18, 2017	Financial Results for the 1st Quarter ended September 30, 2017 along with other Coprorate Actions, if any, Sent to Stock Exchange immediately after conclusion of Board Meeting.
October 28, 2018	Shareholders approved renewal of investment in assocaited company Nishat Hotels and Properties Limited by way of loan advance.
November 06, 2017	Minutes of Annual General Meeting held on October 31, 2016 Sent to Stock Exchange.

Date	Event
November 27, 2017	Intimation regarding dispatch of 75% Final Dividend for the year 2017 sent to Stock Exchange
February 13, 2018	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
February 13, 2018	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the Half Year ended December 31, 2016 Sent to Directors and Stock Exchange.
February 20, 2018	Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the Half Year ended December 31, 2017, Related Party Transactions etc. etc. to the Board of Directors for their approval.
February 20, 2018	Meeting of the Board of Directors conducted for consideration and approval of Un-Audited Accounts for the Half Year ended December 31, 2017, Directors Report, Related Party Transactions, Recomendations for Investment in associated company Hyundai Nishat Motor (Pvt) Limited for approval of shareholders by way of equity investment and SBLC guarantee.
February 20, 2018	Financial Results for the Half Year ended December 31, 2017 along with other Coprorate Actions, Sent to Stock Exchange immediately after conclusion of Board Meeting.
February 28, 2018	Notice of Extraordinary General Meeting sent to Pakistan Stock Exchange.
March 29, 2018	Shareholders of the Company approved Investment in associated company Hyundai Nishat Motor (Pvt) Limited by way of equity and SBLC guarantee in the Extraordinary General Meeting.
April 20, 2018	Notice of Meeting of Audit Committee sent to Members of Audit Committee.
April 20, 2018	Notice for Meeting of Board Directors for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2018 Sent to Board of Directors and Stock Exchange along with Closed Period.
April 20, 2018	Meeting of the Members of Audit Committee conducted for recommendation of Un Audited Accounts for the 3rd Quarter ended March 31, 2018, Related Party Transactions etc. etc. to the Board of Directors for their approval.
April 27, 2018	Meeting of the Board of Directors conducted for consideration of Un-Audited Accounts for the 3rd Quarter ended March 31, 2018, Directors Report, Related Party Transactions etc. etc.
April 27, 2018	Financial Results for the 3rd Quarter ended March 31, 2018 along with other Coprorate Actions, if any, Sent to Stock Exchange immediately after conclusion of Board Meeting.
May 23, 2018	Mterial information regarding installation of cement plant at Hub and production of cement at Hub plant, Baluchistan sent to Pakistan Stock Exchange and SECP.

Principles

Core Principles

The Company has following core principles for its governance:

- Integrity
- Transparency
- Ethics
- Professionalism
- Compliance

These principles are at foundation of governance model of the Company. All the policies, procedures and agreements are made and implemented with these core principles in mind. Integrity at the root is the main guiding principle. The Company has no compromise policy for integrity. With integrity comes transparency. This is the main off-shoot of integrity and dignity. Transparency in every dealing and disclosure is core to the Company. With integrity at the root, brings ways to methods to deal in the best possible way called the Ethics. While Professionalism, is to conduct every part and phase of the business with best possible resources and in best possible ways. This brings subtlety to business decisions and ensures integration of all levels. Being a Compliant organization to all applicable laws, regulations and standards is central to the Company's values.

Internal Control

The Company's internal controls are designed and implemented with a view to the Company's Core Principles. Internal controls are made to ensure that everything is conducted with integrity as basic principle. Internal control blueprint is to make sure that:

- Duties are assigned to right persons
- Duties are segregated
- Chain of checking & reporting exists
- Alternate ways available in case of non-availability of a person
- Routine maintenance/replacement is properly conducted
- Least possible hazardous impact on environment
- Departments are integrated
- Each step is adequately reported
- Any malfunctioning/undesired activity is timely and adequately reported and acted upon

Departments & Consolidation

For sake of proper functioning the Company is divided into some departments. All departments are under one board of directors. The departments are:

- Finance
- Production & Technical
- Purchasing
- Marketing
- IT & ERP
- Human Resource
- Departments are integrated
- Corporate & Secretariat
- Administration

Each area is headed by a departmental head. Each departmental head is assisted with various sub sector heads. Departments are linked vertically and horizontally to make the functioning of the Company in best possible way.

This two-way-simultaneous linking pave the way for consolidating overall objective of the Company decided by the Board of Directors and disseminated to each level through departmental heads.

Risks Mitigation through Best Governance

Production & Operational Risk

The Company has installed strict rules to ensure its production facilities secure and safe. Effective controls have been established for smooth running of production. The spares and tools policy is to maintain at all time necessary spares. We are always online and in touch with our crucial suppliers in order to manage lead times, logistics and quality issues. We always keep our selves abreast of the new developments and research being carried out with our international suppliers. All the production process is carried out with internationally and nationally accepted rules. Our all assets are fully insured. The produced stuff is ensured to be of standard and stored in well-equipped places to maintain the quality.

Unforeseen Event

Our all assets, premises, stores, spares and stocks are comprehensively insured.

Market, Supply, Dispatch, Credit Risk

Dispatch mechanism is quick, responsive and round the clock. Uninterrupted logistics are ensured to reach our product throughout country and in foreign markets. Effective marketing is given due importance. Searching new markets, deriving new strategies and maintaining healthy competition are among our marketing principles. We have a strong network of nationwide dealers which ensure reach of our product to ultimate customers without any hindrance and loss. It is also ensured that our product is reached to consumer in fresh condition. We also put emphasis on institutional sales. Credit is given to only institutional consumers or consumers and dealers with satisfactory track record and financial health. Most of our local sales are on advance which is about 90% of local turnover. Thus, we manage credit risk very effectively. Exports sales are also mostly on advance basis while rest are on sight letter of credit issued by reputable banks around the world. We select our foreign customers with due care. We have had a successful policy of branding our product and company in few foreign markets.

Margins

On the costs side we try to make a best possible relationship with its related benefit. Over years we have invested heavily in cost reduction measures. The Company has tried to achieve margin gains through economies of scale as well.

Financial Management & Treasury (Currency, Interest rates, Cashflows)

Leverage is managed to gain ultimate benefits from it. The company has easy access to financial market at discounted prices. For any short or long term need company can easily raise considerable amounts from lenders. Company always keeps a reasonable size of finance facilities in tact to meet any abrupt demand. The company is a reputed and renowned organization not only in Pakistan but abroad as well. We have and maintained a clean history of repayments of obligations and best relationships with local and international lenders. The management of the Company keeps a constant eye on all foreign currency and interest rates movements. The borrowing of the company is maintained (local and foreign currency) in order to reap maximum benefits yet managing the currency and interest rate risks. The Treasury plays a pivotal role in managing other risks as well in liaison with other departments.

Departmental Collusion Risk
Separate departments are established for imports, purchasing, sales and receivables, payables, treasury and finance, accounts and taxation and MIS. The company has instituted a beautiful merger of centeralisation and de-centeralisation for management of its affairs. Powers are delegated at appropriate levels in all departments. While all departments are independent yet they are working for common goal with interdepartmental cooperation and harmony. CEO office and Board of Directors work as point of conjunction for all departments and as highest decision making authority.

Controls Risk
Internal controls have been established at each level to ensure segregation, efficiency, effectiveness and transparency at every level of transaction. These controls not only give a strong and professional working environment but also avoid fraud and embezzlement. Approval limits have been defined and adhered to. Company has whistleblower policy to discourage activities those are deemed illegal, dishonest, or not correct within an organization that is either private or public.

Certification
The company is ISO 9001 and 14001 certified.

Human Resource
The company values its employees as most important assets. We always try to develop and nourish the skills of our employees. Company tries to compensate its human workforce in every best possible way. Professionalism and integrity are core values we instill in our employees.

Health & Safety
The company takes it on priority about Health and Safety of employees. Rules are developed and adherence to those is monitored for ensuring safety while working and minimizing and health & safety hazards.

Reporting
A proper system of reporting and action on it is in place. Top management regularly reviews all trends and reports. BOD quarterly reviews the performance and state of affairs of the company. To ensure transparency and truthfulness of reporting, internal audit system is in place. To further strengthen it, independent external auditors of satisfactory rating are appointed. Reporting within departments and inter departmental reporting are designed to ensure transparency and effectiveness. The reporting system is developed at each level within each department which ultimately reaches in a consolidated form to BOD.

The Company reports its financial statements in compliance with all applicable local laws and international standards as described in the financial statements.

Records
Company has established comprehensive measures to ensure safe keeping of it records and data. The company is maintaining state of the art ERP Oracle system for maintaining record and MIS. An effective disaster management plan is in place for all ERP data. Company complies with legal requirements of maintenance of data.

Internal Audit
Internal audit system is in place which is independent of the management of the company and reports to BOD. Internal Audit department is governed by the Board's instructions and terms. It carries out its activities quarterly, annually and as and when desired. Sites and Head Office are visited and checked by the internal audit team at various intervals. They have complete access to the company records and can call any explanation.

Company Rating

Long Term:	AA-
Short Term:	A1+
Outlook:	Stable
Rating Agency:	PACRA
Rating Date:	May 04, 2018

Business

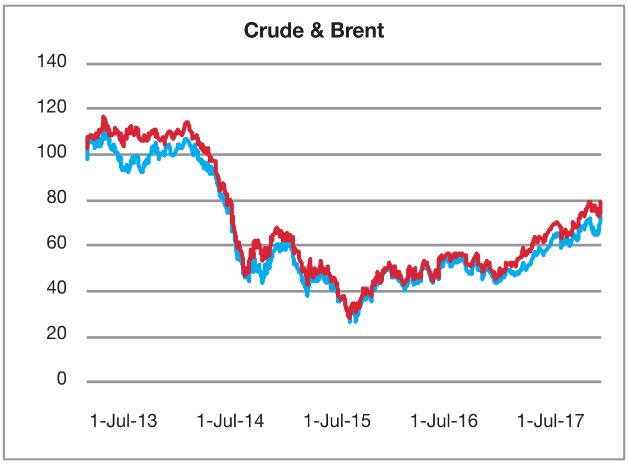
Global Economy

2017-18 was another year immersed with geopolitical earthquakes but economic growth rebounds amid these shaking waves. World GDP registered a growth of 3.0-3.1 percent (some reports estimate 3.8 for 2017 and 3.9 for 2018). It was broad based with emerging, developing and developed economies contributing in it. Global trade gained after years of slackness. Employment rate is stepping up the ladder. The world population is estimated to be more than 7 billion. Natural disasters and catastrophes were among all-time high. About 80 million people were in food emergency situation due to natural and human-made disasters.

Expected growth rates in few economies are:

Area	2018 (%)
World	3.1
USA	2.2
EU	2.7
Japan	2.1
China	6.5
Russia	1.5
Turkey	4.5
Thailand	4.1
India	7.3
Bangladesh	6.5

Euro zone is expected to grow better than UK. Oil prices may remain stable. But Oil politics could do maneuvers. Chinese growth may be slower. Chinese president hinted at shifting to high quality from high speed growth. Trade war between US and China is a looming threat. Brexit negotiations will be important to monitor.



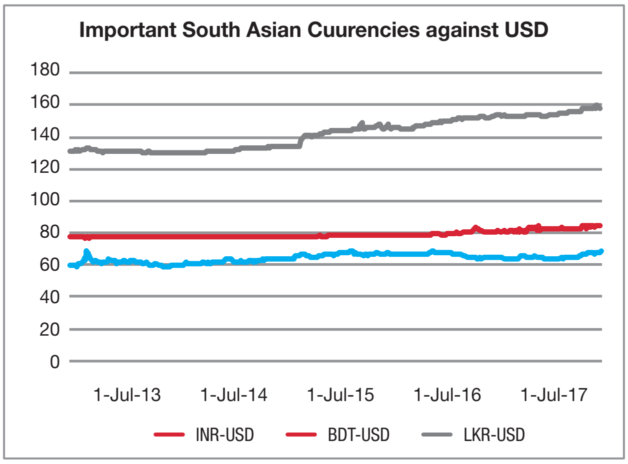
Yearly Average Crude & Brent prices (USD):

	Crude	Brent
FY18	58.59	63.99
FY17	48.60	50.89
FY16	42.03	44.59
FY15	69.22	74.72
FY14	101.24	109.17
FY14-FY18	63.80	68.52

China's Xi's re-election as limit-less president cemented the prospects of OBOR and gave China a strong foothold to move forward in stringent opposite winds and respond decisively. On the other side Putin is standing firm uninterruptedly to reign Russia with even resilient way. Trump in his home ground is getting weaker on backdrop of various testimonies against him and election maneuvering. He has also lost in many international grounds. Snow started to melt on ocean between USA and North Korea but low temperature and cloudy weather frozen the Persian Gulf. May be or may not be both are mirage. The waxing Russia and waning USA may bring new tides and resultant tactics.

Middle East war zones are still active with multinational involvement. Changing world power games are pushing all territories to look for new and innovative ways to develop economics.

Important Currency Trends



Important South Asian Currencies depreciation rate (%) on per annum basis calculated on yearly average of daily close rates:

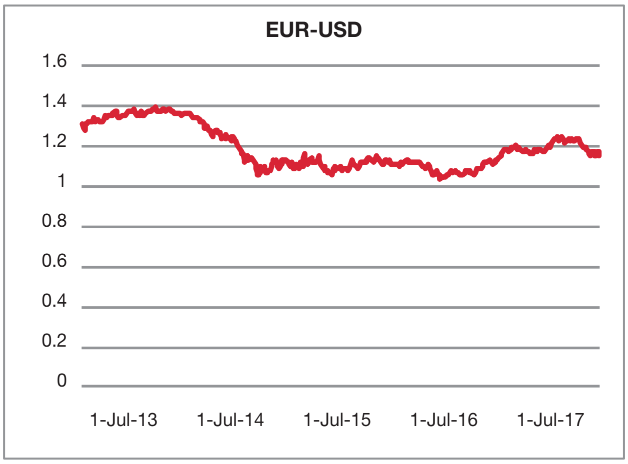
	INR/USD	BDT/USD	LKR/USD
For Last Five Years	1.19	1.28	3.40
For Last Four Years	1.23	1.60	4.11
For Last Three Years	-0.60	1.91	2.87
For Last Two Years	-1.05	2.08	1.97

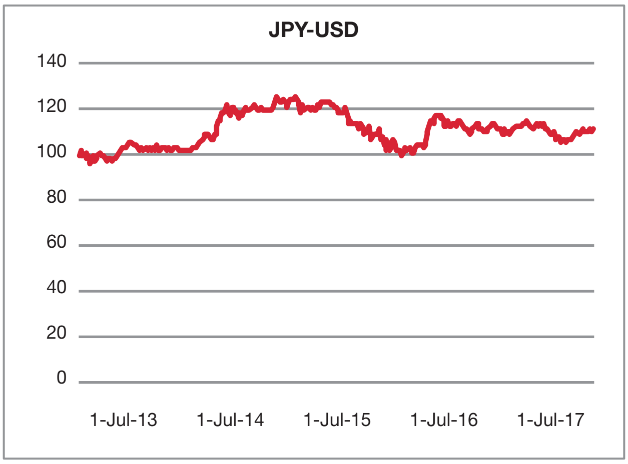
Important South Asian Currencies analysis

Year	INR/USD		BDT/USD		LKR/USD	
	Standard Deviation	Average	Standard Deviation	Average	Standard Deviation	Average
FY18	1.35	65.13	1.19	82.79	2.03	154.85
FY17	1.25	66.52	1.16	79.45	2.78	148.93
FY16	1.25	66.32	0.34	78.22	4.37	142.26
FY15	1.16	62.03	0.23	77.69	1.39	131.83
FY14	1.60	61.40	0.21	77.70	0.66	131.02
FY14-FY18	2.54	64.29	2.05	79.15	9.65	141.71

EUR, CNY, JPY/USD trend analysis

	EUR/USD 5 Years	EUR/USD 1 Year	CNY/USD 5 Years	CNY/USD 1 Year	JPY/USD 5 Years	JPY/USD 1 Year
MAX	1.39	1.25	6.96	6.81	125.62	114.17
MIN	1.04	1.13	6.04	6.27	96.22	104.74
Average	1.19	1.19	6.41	6.50	110.31	110.31
SD	0.11	0.03	0.26	0.15	7.50	2.36
Start	1.31	1.14	6.13	6.80	99.67	113.39
Close	1.17	1.17	6.62	6.62	110.68	110.68
% Change	(10.56)	2.82	7.96	(2.64)	11.05	(2.39)





EUR,CNY,JPY/USD depreciation rate (%) on per annum basis calculated on period start and close rates:

EUR/USD	CNY/USD	JPY/USD
-2.21	1.54	2.12

Pakistan Economy Review

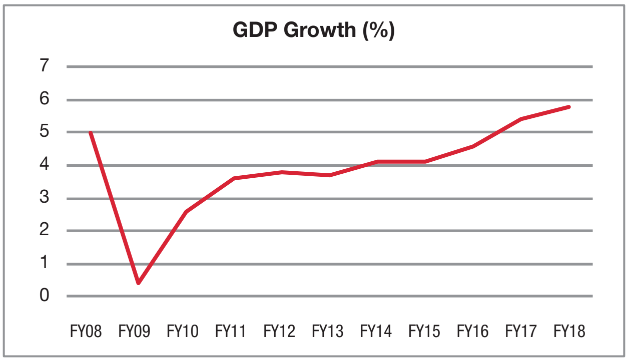
The potential Pakistan Economy carries in itself could be translated into reality only through right direction and sincerity. From warm waters to high mountains, from plains to rocky and from desert to fertile all enwrapped with rich vast cultures, various languages, mouth-watering cuisines, treasured traditions and respected values. With four seasons, lush green meadows, most tasteful fruits and vegetables, crop farms, herds of cattle, resounding rivers, cascades and falls, snow covered mountains, fragranced colourful flowers, amazing sceneries, traditional villages, clay houses, vibrant costumes, high tech cities, sky rise buildings, wide and far reaching highways, mix of small and large scale industry, it hosts 210 million people with most young population.

Pakistan is 5th largest country in terms of population and 33rd largest in terms of area. Economically and politically, Pakistan has been through thick and thin since its independence. With all misfortunes it had faced, it came up as a resilient nation.

Fiscal year 2018 was election year. The nation witnessed peaceful elections in July 2018 and a smooth transition of government took place. The new government has taken up the reigns. It is important that the party ruling in federation is also successful in forming government in Pakistan's most populous province of Punjab, KPK and in alliance in Baluchistan. This gives a good space to new ruling party to implement its agenda at provincial levels easily. Directions of new government will become clear as minimum a quarter will pass.

The challenges that were inherited by new government include sever economic crisis, terrorism, climatic downgrading, tensed eastern and western boarders, haphazard policies and malpractices. Economic crises highlights include energy circular debt, loss making state-owned corporations, foreign currency undesirable cross-boarder movements, all time high debts, depleting foreign currency reserves, dropping exports, elevated imports, low tax base, complicated tax system and international pressure on curbing money laundering and improvement and implementation of laws on money laundering and tax evasion.

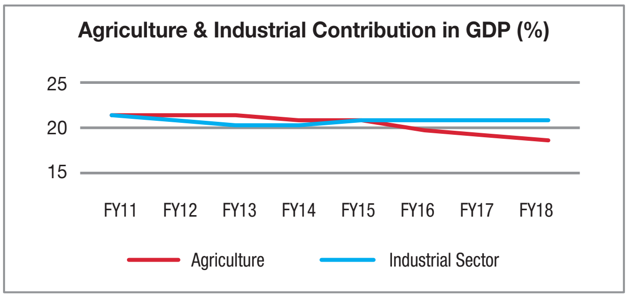
As per Economic Survey of Pakistan 2017-18 (ESP), GDP growth rate for financial year 2018 remained about 5.8% (at constant basic price of 2005-06). This growth rate is 7% higher than FY17 and highest in last 12 years. At current prices Pakistan GDP is PKR 34,396,491 million.



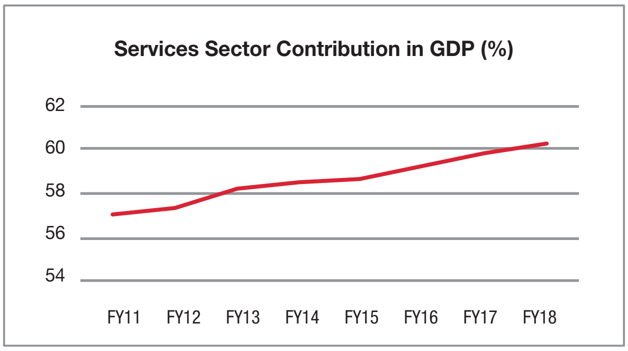
In GDP of Pakistan, about 19% comes from agriculture, 21% from industrial sector and 60% from services side.

Sectoral Share in GDP (%)

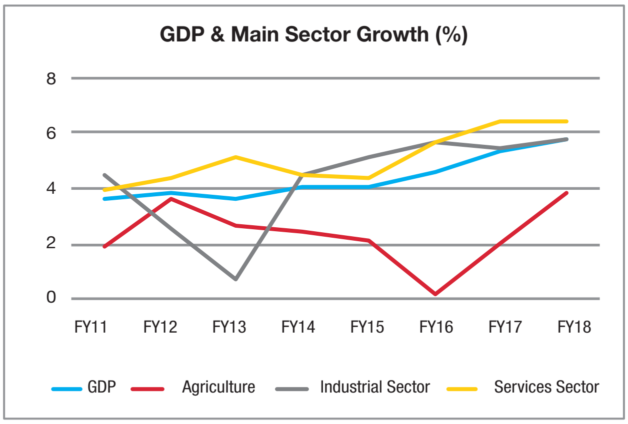
Sector	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Agriculture	**21.7**	**21.7**	**21.4**	**21.1**	**20.71**	**19.84**	**19.22**	**18.86**
Crops	8.8	8.8	8.6	8.5	8.17	7.4	7.1	6.96
Important Crops	5.3	5.5	5.4	5.5	5.21	4.69	4.55	4.45
Other Crops	2.9	2.6	2.6	2.4	2.35	2.26	2.09	2.04
Cotton Ginning	0.6	0.7	0.6	0.6	0.61	0.45	0.46	0.47
Livestock	11.9	11.9	11.9	11.7	11.72	11.59	11.33	11.11
Forestry	0.5	0.5	0.5	0.5	0.38	0.42	0.39	0.39
Fishing	0.5	0.5	0.4	0.4	0.44	0.43	0.4	0.4
Industrial Sector	**21.3**	**21**	**20.3**	**20.4**	**20.67**	**20.9**	**20.91**	**20.9**
Minning & Quarrying	3	3	3	2.9	2.95	3	2.83	2.76
Manufacturing	**13.5**	**13.2**	**13.3**	**13.6**	**13.56**	**13.44**	**13.5**	**13.55**
Large Scale	11	10.8	10.8	11	10.9	10.73	10.77	10.78
Small Scale	1.6	1.5	1.6	1.7	1.73	1.79	1.83	1.88
Slaughtering	0.9	0.9	0.9	0.9	0.93	0.92	0.9	0.89
Electricity Generation, Distribution & Gas Distr.	2.4	2.4	1.7	1.6	1.75	1.84	1.84	1.77
Construction	2.4	2.4	2.3	2.3	2.41	2.62	2.74	2.82
Commodity Producing Sector	**43**	**42.7**	**41.7**	**41.5**	**41.38**	**40.74**	**40.13**	**39.76**
Services Sector	**57**	**57.3**	**58.3**	**58.5**	**58.62**	**59.26**	**59.87**	**60.24**
Wholesale & Retail Trade	18.9	18.4	18.4	18.5	18.28	18.31	18.67	18.98
Transport, Storage & Communication	13.1	13.2	13.3	13.3	13.4	13.44	13.32	13.04
Finance & Insurance	3	2.9	3.1	3.1	3.16	3.21	3.38	3.39
Housing Services	6.7	6.7	6.8	6.8	6.76	6.72	6.63	6.52
General Government Services	6.2	6.7	7.2	7.1	7.14	7.49	7.53	7.93
Other Private Services	9.1	9.4	9.5	9.7	9.88	10.09	10.34	10.38

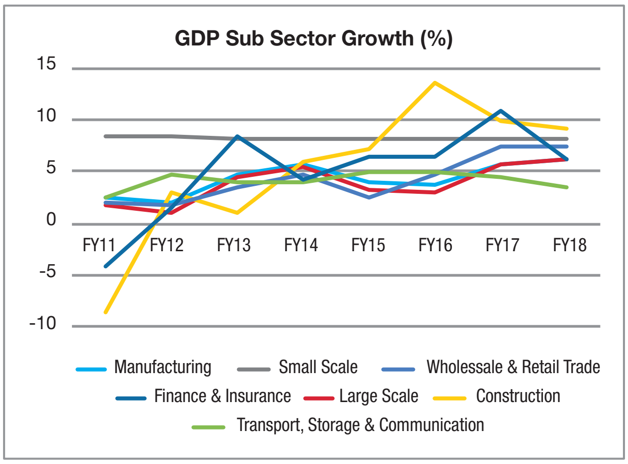


This is unfortunate that agriculture sector, that employees most of the population of country, is on loosing its due percentage share in GDP. Though, it registered a growth last year yet that is insufficient. If the most of the population is not earning well, then all other industries may get negatively affected.



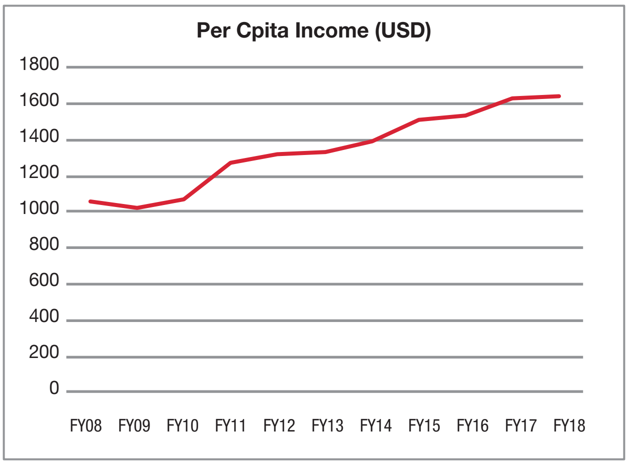
An interesting analysis from this data is that Wholesale and Retail Trade is the highest single contributing sub sector in GDP, with second one is Transport, Storage & Communication and Large Scale Manufacturing is at third place. This testifies few research reports that say that Pakistan is fastest growing retail market. This shows that Pakistan economy is consumer oriented.





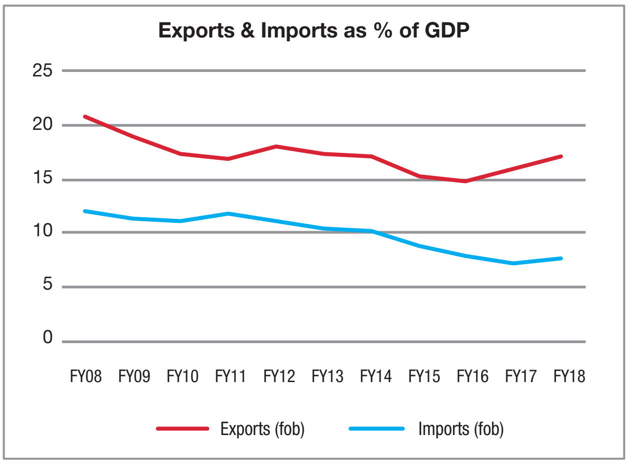
Besides other government services sub sector, **construction sector is the one with highest growth rate and maintaining this trend on constant basis since last few years. Contribution of construction sector is about 3% to GDP and about 13% to Industrial sector.**

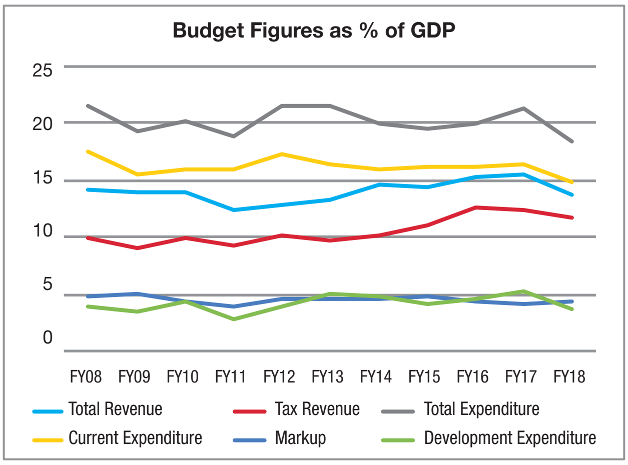
Per Capita Income in USD increased marginally in FY18 (USD 1640) as compared to FY17 (USD 1632). In PKR terms it is PKR 180,204 (FY17: PKR 170,877).



Pakistan Budget

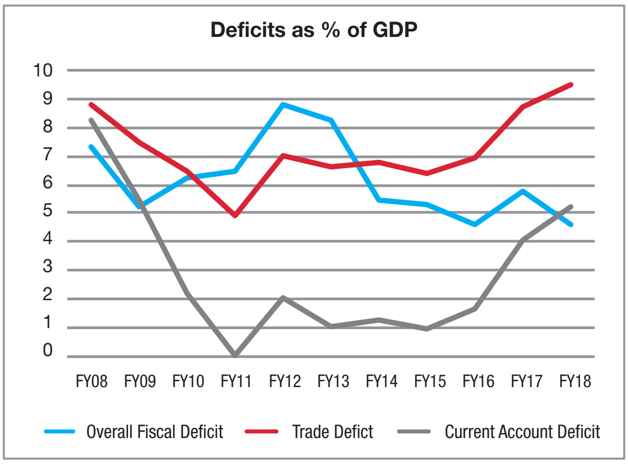
Pakistan Budget for FY19 increased by 10%. For FY19 Development budget is about 19% of total expenditure outlay. In FY18 the originally allocated development budget was revised and slashed by 20%. Mark Up servicing consumes about 28% of total expense and 34% of current expenditure on average in FY18 & FY19.





Important Keynotes from Pakistan Budget (PKR in millions)

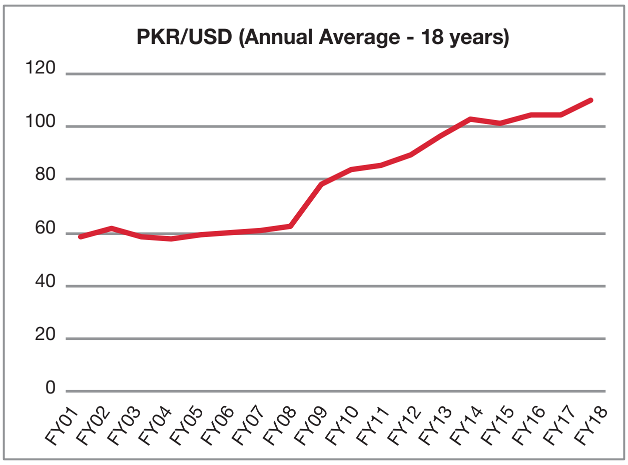
	2017-18	2017-18 (Revised)	2018-19
Resources	**4,713,687**	**4,774,566**	**4,917,163**
Internal Resources	3,825,863	3,544,812	3,799,139
External Resources	837,824	1,229,754	1,118,024
Privatisation Proceeds	50,000	-	-
Expenditure	**5,103,781**	**5,361,038**	**5,932,464**
Current Account Expenditure	3,763,709	4,298,279	4,780,359
Development Expenditure	1,340,072	1,062,759	1,152,105
Gap filled with Borrowing	**390,094**	**586,472**	**1,015,301**
Direct Taxes	1,594,910	1,563,000	1,735,000
Indirect Taxes	2,418,090	2,372,000	2,700,000
Other Taxes	317,463	212,305	453,645
Non-Tax Revenue	979,854	845,182	771,860
Less Provincial Share in Revenue	2,384,243	2,316,080	2,590,066
External Loans	**799,920**	**1,181,725**	**1,079,968**
Project Loans	329,824	312,880	290,071
Programme Loans	95,571	48,107	87,897
Others	374,525	820,738	702,000
Mark-up under Current Expenditure	**1,363,016**	**1,526,204**	**1,620,230**
on Domestic Debt	1,231,000	1,332,001	1,391,000
on Foreign Debt	132,016	194,203	229,230
Foreign Loans Repayment under Current Expenditure	**286,612**	**428,165**	**601,754**



PKR/USD yearly average trend

Year	PKR/USD	% Change YOY
FY01	58.4378	
FY02	61.4258	5.11
FY03	58.4995	(4.76)
FY04	57.5745	(1.58)
FY05	59.3576	3.10
FY06	59.8566	0.84
FY07	60.6342	1.30
FY08	62.5465	3.15
FY09	78.4983	25.50
FY10	83.8017	6.76
FY11	85.5017	2.03
FY12	89.2359	4.37
FY13	96.7272	8.39
FY14	102.8591	6.34
FY15	101.2947	(1.52)
FY16	104.2351	2.90
FY17	104.6971	0.44
FY18	110.2848	5.34

Pakistan Rupee Trend

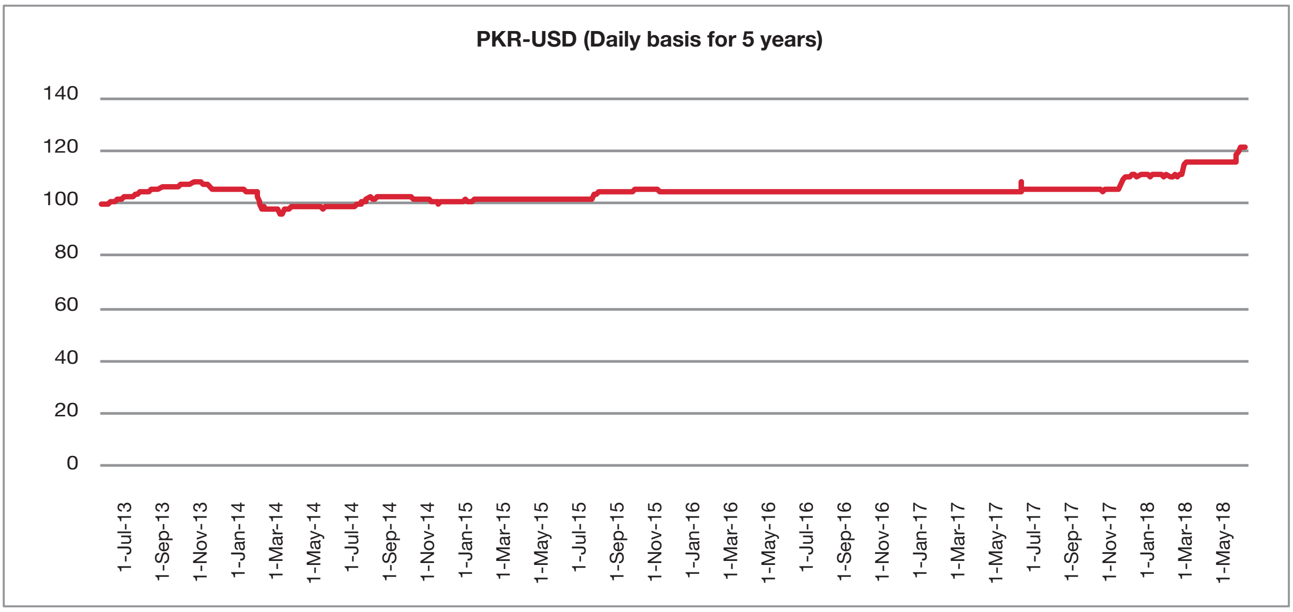


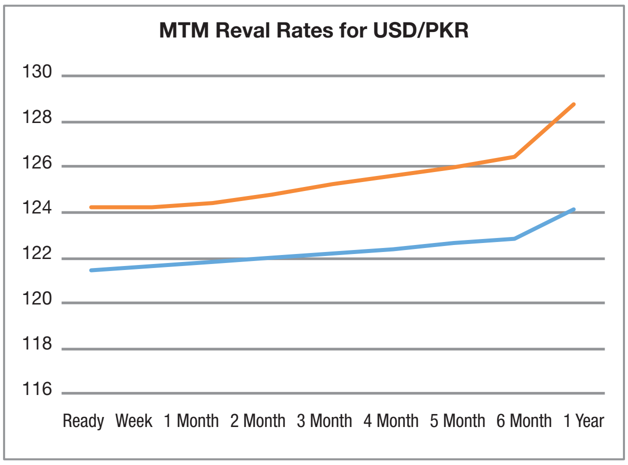
PKR/USD (yearly average) depreciating rate (%) on per annum basis

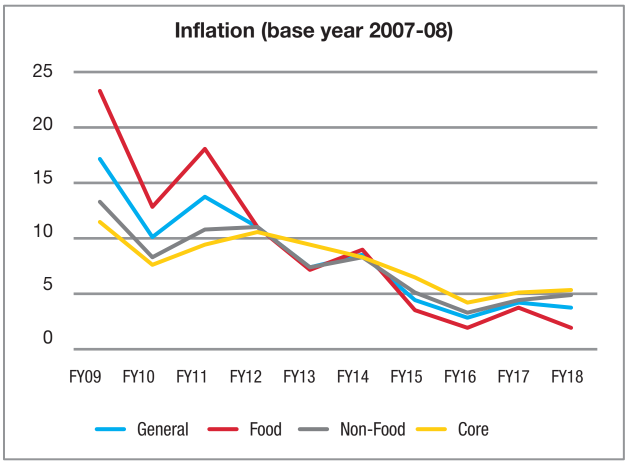
For Last 18 Years	3.59
For Last 10 Years	3.46
For Last 5 Years	1.40
For Last 4 Years	2.15
For Last 3 Years	1.90
For Last 2 Years	2.63

PKR/USD analysis based on day close basis

	Standard Deviation	MAX	MIN	Average	Start of Year	End of Year	% Change during year
FY18	4.96	121.74	104.83	110.16	104.97	121.735	15.97
FY17	0.12	105.00	104.27	104.74	104.75	104.86	0.11
FY16	1.05	105.56	101.75	104.33	101.875	104.73	2.80
FY15	1.16	103.05	98.55	101.37	98.65	101.85	3.24
FY14	3.58	108.50	95.98	102.89	99.575	98.68	(0.90)
FY18-FY14	4.08	121.74	95.98	104.68	99.575	121.735	22.25







PKR/USD (day close) depreciating rate (%) on per annum basis

For Last Five Years	4.10
For Last Four Years	5.40
For Last Three Years	6.12
For Last Two Years	7.80

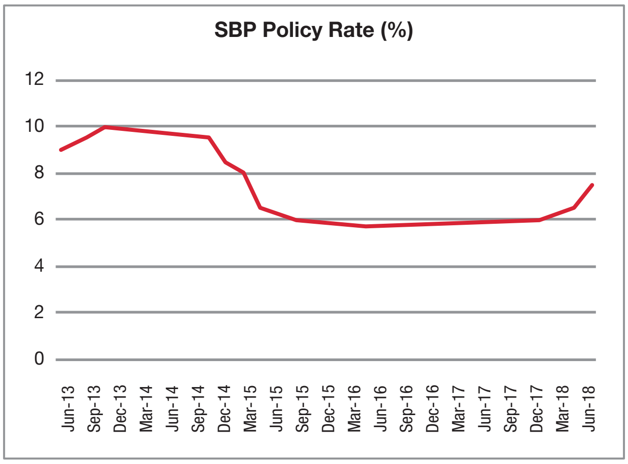
Inflation has started picking up. One of its reason is upward change in oil prices comparatively. The trend of inflation moved almost in line with oil prices. Except the food and general inflation that again came down in FY18 after an upward rise.

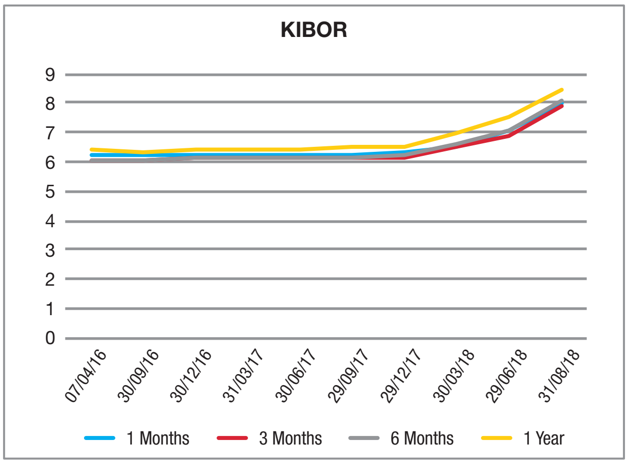
The MTM Revaluation Rates as were prevailing on close of fiscal year 2018 changed subsequently. The difference was more than 2.7 PKR/USD on August 24 in ready. While the premiums for 6 months reached from 1.3 to 2.2 and for one year from 2.6 to 4.5. On August 24, 2018 one-year revaluation rate was at 128.7. This shows a perceived devaluation of about 3.6% in coming year.

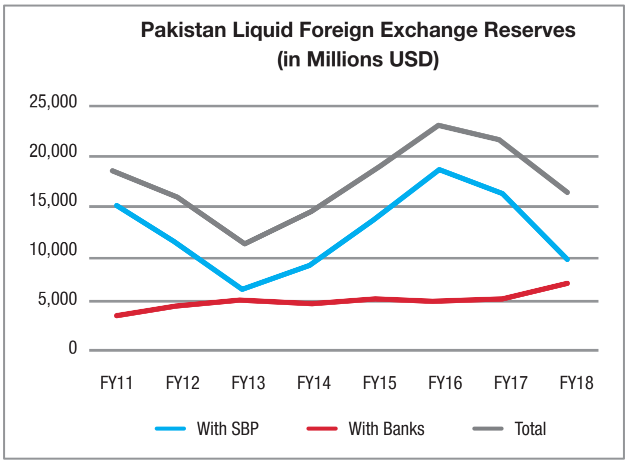
Depreciated Rupee may be beneficial for exports and workers' remittances but detrimental to import bill. However, it may shrink the unnecessary imports that may put positive impression to an extent.

KIBOR Rates

KIBOR	4/7/2016	30/9/16	30/12/16	31/3/17	30/6/17	29/9/17	29/12/17	30/3/18	29/6/18	31/8/18
1 Month	6.25	6.25	6.26	6.27	6.26	6.26	6.31	6.53	7.03	8.01
3 Month	6.05	6.04	6.12	6.12	6.14	6.15	6.16	6.5	6.92	7.93
6 Month	6.06	6.06	6.15	6.16	6.15	6.16	6.21	6.61	7.04	8.05
1 Year	6.39	6.36	6.44	6.44	6.46	6.47	6.5	6.94	7.53	8.47







As per provisional figures available, Central Government total debt was PKR 24,211 billion on June 2018 (PKR 20,767 billion in June 2017). The debt & liabilities are at about 87% of GDP while Government Debt is at about 72% of GDP.

In recent days, market is not responding positively to any T-Bill and PIB auctions except for 3 Months on pretext of rising trend in interest rates.

	PKR in billions
Central Government Debt	24,210
Domestic	16,415
Long Term	7,526
Short Term	8,889
External	7,795
Long Term	7,654
Short Term	141
Debt from IMF	741
External Liabilities	622
Private Sector External Debt	1,601
PSEs External Debt	325
PSEs Domestic Debt	1,068
Commodity Operations	820
Intercompany External Debt from Direct Investor Abroad	473
Total Debt & Liabilities	**29,860**

As on close of FY18, Government Domestic Debt includes:

	PKR in Billions
GOP Ijara Sukuk	385
PIBs	3,413
M T-Bills	5,295
MTBs for replenishment of cash	3,594
	12,688

In August 2018, a three-month bid was successful at 7.75% and a 5 -years bid at 9.25%.

The import statistics available showed that Food Group growth slowed. Metal Group registered highest growth. Vital reason for this is increase in steel and allied imports. Petroleum Group occupies the highest share in import bill. This section now witnessing natural gas billing as well. Textile Group comprised of textile sector raw materials only. Out of Pakistan's total import bill 29% is to Western Asia including Gulf Region, 28% to Eastern Asia including China (China alone is at 21%), 14% to Far East Asia and 7% to Western Europe.

Import Group YOY growth %

	FY17	FY18
Food Group	17.75	1.51
Machinery Group	4.42	17.45
Transport Group	42.01	21.31
Petroleum Group	26.88	25.04
Textile Group	13.78	12.82
Agri. & Other Chemical	6.07	16.66
Metal Group	0.30	30.14
Misc. Group	19.67	4.91

On exports front out of total, 10% is contributed by Eastern Asia including China (China alone shares 7%), 11% by Western Asia including Gulf Region and 6% by Far Eastern Asia.

Workers' Remittances grew by just 3.5% (as per ESP on data based on July-Mar). Remittances from KSA, that holds highest share declined by about 9.5%. Remittances from KSA account for about 25%, from Other GCC countries 11%, from UAE 23%, from USA 13% and from UK 14% approximately.

Loans to private sector are PKR 5,304 billion (18% growth) whereas credit to Government sector is about PKR 10,279 billion (12% increase).

House building finance stood at PKR 82 billion against PKR 60 billion in FY17. This is an increase of about 36%. Loans for transport/cars registered growth of about 28%.

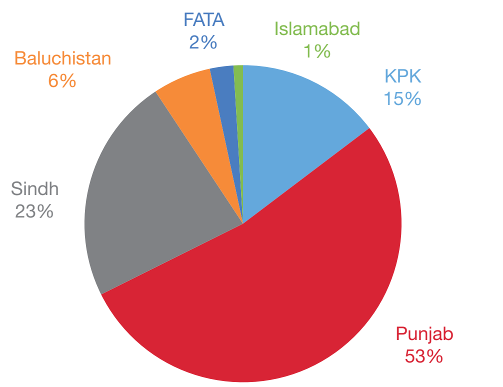
New Population Census Statistics

In 2017, population census was conducted. New trends emerged from it.

(Numbers in Millions)

	Households	Population
Pakistan	32.2	207.77
Rural	20.01	132.19
Urban	12.19	75.58

63 percent of Pakistan population lives in rural areas and 37% in urban areas. With 208 million population 32 million households exist. This gives an average of about 6 persons per household.



	Urban Share (%)		
Area	1981	1998	2017
Pakistan	28.3	32.52	36.38
KPK	15.06	16.87	18.77
FATA	0	2.69	2.84
Punjab	27.6	31.27	36.71
Sindh	43.32	48.75	52.02
Baluchistan	15.62	23.89	27.55
Islamabad	60.06	65.72	50.58

Approximately 20% of country's population and 54% of country's urban population lives in 10 cities. The trend shows that urbanization is on increasing trend in almost every province and still there is enough room for massive urbanization. Further, the rural areas have enormous capacity to develop yet retaining a rural status.

New government plans for its tenor of five years, as announced, include massive tree plantation, austerity measures in spending, boosting exports, improved foreign relations, improved judicial and police system, better education and health, social uplift measures, curtailment of corruption and malpractices, development of human capital, election process reforms and importance to parliament and parliamentary decisions.

As country's economy is going through tough time, some analysts predict economic growth for FY19 may slow down. With slowed

Province Wise Population & Growth Rates

Area	in millions		in %	
	1998	2017	Avg. Annual Growth Rate 1981-1998	Avg. Annual Growth Rate 1998-2017
Pakistan	132.35	207.77	2.6	2.4
KPK	17.74	30.52	2.8	2.89
Punjab	73.62	110.01	2.6	2.13
Sindh	30.44	47.88	2.7	2.41
Baluchistan	6.57	12.34	2.4	3.37
FATA	3.18	5	2.1	2.41
Islamabad	0.81	2	5.2	4.91

growth, further Rupee devaluation and interest rate climb is expected.

A business-friendly environment must be among the priorities. Steps should be taken for betterment of “ease of doing business”. Young entrepreneurs, cottage industry, large manufacturing and agriculture sector should be facilitated. It is also important to respond proactively on international demands on making, improving and implanting measures to curb money laundering and tax evasion. Country’s improved law and order situation, better law enforcement, fairly controlled macro economic factors, effectively implemented corporate and banking laws, easy taxation, broadening tax base, documenting economy, business friendly environment and other indexes would boost country’s rating that would eventually attract foreign direct investment. Besides this, foreign loans to local businesses would be available at cheaper rates that are now expensive due to country existing rating. In short, wise, sincere, holistic, professional and long-term decisions need to be taken and far reaching policies need to be devised and implemented. Short term measures, certainly, need of time and must not be ignored.

Global Cement Sector

There are about 159 territories producing cement. Out of these about 141 produce clinker and rest only grind imported clinker. Global cement capacity is about 4.1 billion tons per annum for 2017.

Globally about 2950 cement plants exist. About 2330 plants are integrated while rest are involved in cement grinding only.

Cement Production (approximate) in 2017

Country	Tons	%
USA	86,300	2.09
Brazil	54,000	1.31
China	2,400,000	58.14
Egypt	58,000	1.40
India	270,000	6.54
Indonesia	66,000	1.60
Iran	56,000	1.36
Japan	53,000	1.28
Korea	59,000	1.43
Russia	58,000	1.40
Saudi Arabia	63,000	1.53
Turkey	77,000	1.87
Vietnam	78,000	1.89
Others	750,000	18.17
World Total	**4,128,300**	**100.00**

In 2017, global cement imports were about 87 million tons, clinker imports were about 60 million tons.

The tables of notable and from perspective of Pakistan geographically important countries shows huge opportunities for Pakistan and DGKC to explore.

Cement Imports (2017; approximate)

Importer	Tons
World	87,241,266
United States of America	10,547,168
Sri Lanka	5,657,908
Philippines	3,520,137
Singapore	2,671,627
Oman	3,147,974
Cambodia	2,888,344
Myanmar	1,158,163
India	1,474,384
Afghanistan	1,794,263
Russian Federation	1,531,164
Kuwait	1,408,085
Madagascar	636,183
Kazakhstan	831,255
Thailand	49,349
Mauritius	576,759
Malaysia	445,331
South Africa	562,835
Uganda	286,758
Maldives	333,129
Uzbekistan	421,953
Iraq	291,909
Bahrain	140,566
Kyrgyzstan	154,430
Djibouti	93,440
Brunei Darussalam	80,491
Mozambique	204,789
Azerbaijan	64,590
Qatar	59,987
Tajikistan	27,616
Turkmenistan	13,147

Clinker Imports (2017; approximate)

Importer	Tons
World	60,346,342
Nepal	2,949,540
Bangladesh	6,522,632
Sri Lanka	3,879,636
Philippines	4,229,321
Mozambique	367,180
Malaysia	909,731
Ukraine	1,027,103
Algeria	792,129
Kuwait	1,106,194
China	870,921
Viet Nam	901,007
India	566,317
Oman	405,734
Turkey	118,625
United Arab Emirates	134,232
Indonesia	47,568
South Africa	39,403
Djibouti	37,362
Myanmar	30,324
Kazakhstan	517
Uzbekistan	106
Bahrain	43
Tajikistan	81
Azerbaijan	15

Cement Exports (2017; approximate)

Importer	Tons
China	8,602,343
Thailand	5,901,295
Turkey	6,674,931
United Arab Emirates	4,262,339
Pakistan	4,051,293
Senegal	2,761,743
Japan	6,692,253
Viet Nam	2,972,750
India	2,455,608
United States of America	842,579
Russian Federation	1,107,157
South Africa	779,175
Indonesia	1,116,596
Oman	655,254
Uganda	295,590
Kazakhstan	901,951
Jordan	531,107
Iran, Islamic Republic of	809,262
Malaysia	563,948
Bangladesh	243,808
Saudi Arabia	141,101
Kyrgyzstan	146,183
Hong Kong, China	81,867
Tajikistan	86,703

Clinker Exports (2017; approximate)

Importer	Tons
Viet Nam	5,956,023
Thailand	6,831,065
Turkey	4,882,326
Japan	5,217,790
India	3,159,816
China	4,099,311
Morocco	1,964,993
Indonesia	2,173,808
United Arab Emirates	1,324,303
Iran, Islamic Republic of	1,303,329
Malaysia	929,992
Russian Federation	765,995
Egypt	409,425
Azerbaijan	832
South Africa	115,787
Hong Kong, China	198,470
Saudi Arabia	41,659
Bangladesh	8,710
Pakistan	11,040
Singapore	15,090
Philippines	1,005
Kyrgyzstan	138

China with about 50% capacity of world, is facing phase of pressure as government is pushing to cut production capacity in industries including coal, steel and cement. It is expected that cement production may be cut but its timeline and course of action is yet unclear. India has cement capacity of about 420mt. Russia's capacity is about 114mt with utilization of about 50%. Vietnam has a total capacity of 114mt. Its 75% consumption is local while 25% is exported as per number available for recent year. Turkey has a capacity of more than 96mt. Iran has a total cement capacity of 88mt. Indonesia has capacity of 74mt. Its utilisation is about 85%. With about 83% utilization from total cement capacity of 73mt, Saudi Arabia is the largest producer of cement in the Middle East.

Since 2009 global cement industry trade is experiencing a downward trend. But in 2017, on back of economic activity from developed countries, cement demand witnessed upward trajectory. It is expected that it will increase by about 1.5% in 2018 on grounds of growth in many European countries, USA and other developed territories.

Pakistan Cement Sector

Pakistan Cement Industry is a booming and vibrant industry. It is one of highest contributory industries to national exchequer in terms of taxes. It is one of active segments of Pakistan Stock Exchange.

Capacities and Expansions

Country's existing capacity is:

Province	No. of Units	Clinker Capacity (MT p.a.)
KPK	7	15,050,714
Islamabad	1	780,000
Punjab	11	22,492,142
Sindh	4	7,711,571
Baluchistan	1	5,553,000
Total	**24**	**51,587,427**

Zone	No. of Units	Clinker Capacity (MT p.a.)
North	19	38,322,856
South	5	13,264,571
Total	**24**	**51,587,427**

During last fiscal year, 4 expansions came online with total 6,881,000 tons. Of this 5,081,000 tons were added in South and 1,800,000 tons in North side. This is approximately 15% addition in capacity that was at close of FY17. The expansion phase of Pakistan Cement Industry that was talk of the town, was kick started in FY17 with one expansion of 1,260,000 and that was geared up in last completed financial year with another 4 expansions.

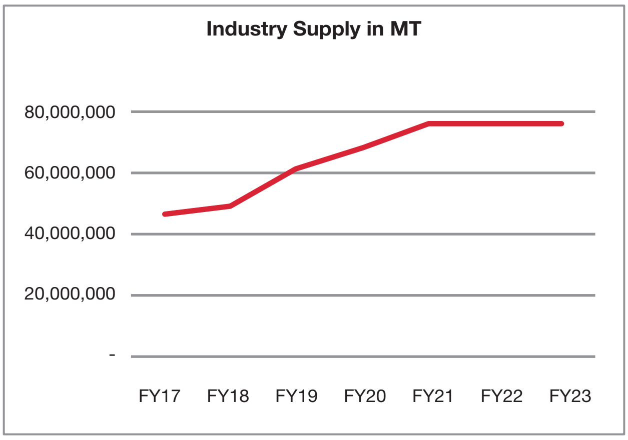
As per the announcements made by some companies, it is expected that industry will witness further expansion in below mentioned track:

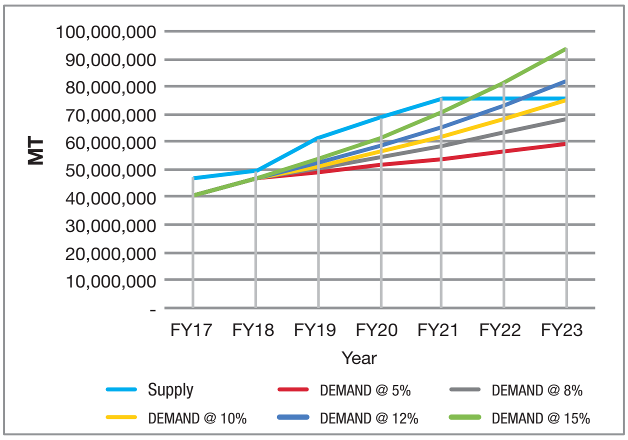
Year	Expansion (Clinker MT p.a.)
FY19	11,500,000
FY20	2,223,000
FY21	6,886,000
Total	**20,609,000**

In upcoming expansions, all are in North except one expansion of 2,310,000 expected in FY19. No execution plan is yet announced by any of the license winners in KPK, though there are news that few are working on it.

An analysis showing the projected demand (inclusive of exports) as sensitivity analysis to upcoming announced expansions:

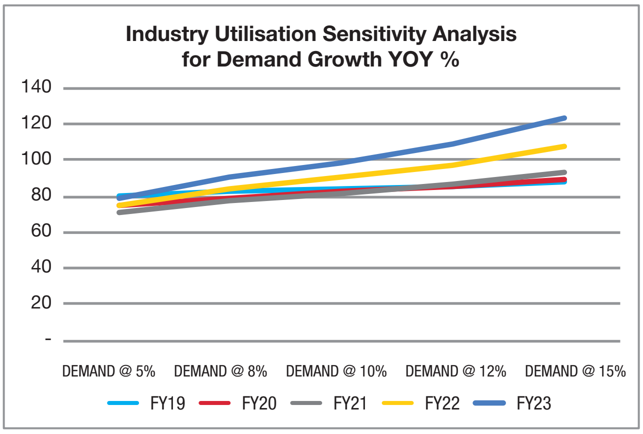
Year	Supply (MT)	Demand (MT) @ 5%	Demand (MT) @ 8%	Demand (MT) @ 10%	Demand (MT) @ 12%	Demand (MT) @ 15%
2017 (Actual)	46,941,748	40,315,181	40,315,181	40,315,181	40,315,181	40,315,181
2018 (Actual)	49,441,798	46,569,725	46,569,725	46,569,725	46,569,725	46,569,725
2019	61,296,298	48,898,211	50,295,303	51,226,697	52,158,092	53,555,183
2020	68,575,948	51,343,122	54,318,927	56,349,367	58,417,063	61,588,461
2021	75,806,248	53,910,278	58,664,441	61,984,304	65,427,110	70,826,730
2022	75,806,248	56,605,792	63,357,596	68,182,734	73,278,364	81,450,740
2023	75,806,248	59,436,081	68,426,204	75,001,007	82,071,767	93,668,351





A table for utilization of industry capacity under various demand YOY growth scenarios (inclusive of exports):

Year	Supply (MT)	@ 5%	@ 8%	@ 10%	@ 12%	@ 15%
2017 (Actual)	46,941,748	86	86	86	86	86
2018 (Actual)	49,441,798	94	94	94	94	94
2019	61,296,298	80	82	84	85	87
2020	68,575,948	75	79	82	85	90
2021	75,806,248	71	77	82	86	93
2022	75,806,248	75	84	90	97	107
2023	75,806,248	78	90	99	108	124



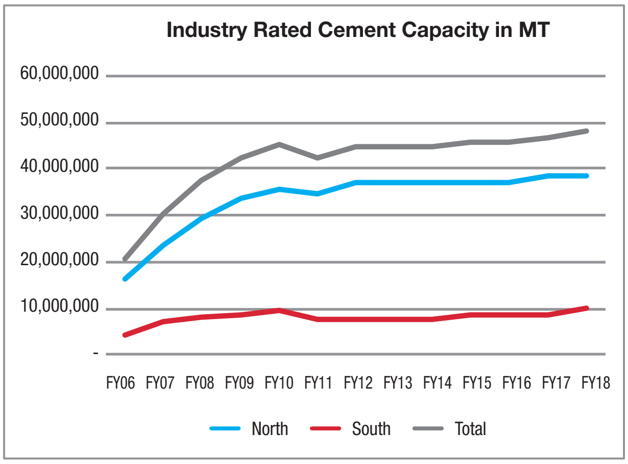
For above referred analysis, the two expansions that came online in last month of FY18 have not been considered in rated capacity for FY18 as supply of those to market in FY18 is immaterial and inclusion in supply capacity will distort the analysis.

The above analysis shows that even at very conservative year on year growth of 5% accompanied with expected expansions the industry utilization level will not drop below 70%.

A comprehensive table showing the utilization of industry with sub divisions of geography, domestic and exports is given below:

	North			South			Total		
Year	**Local**	**Exports**	**Total**	**Local**	**Exports**	**Total**	**Local**	**Exports**	**Total**
FY06	81.89	8.55	90.45	81.69	2.20	83.89	81.85	7.23	89.08
FY07	74.78	8.24	83.02	49.73	18.36	68.09	68.97	10.58	79.56
FY08	65.56	17.42	82.98	40.10	31.25	71.35	59.92	20.48	80.40
FY09	49.99	21.18	71.17	40.58	44.65	85.23	48.07	25.97	74.05
FY10	56.33	19.42	75.75	35.62	38.77	74.39	51.97	23.49	75.46
FY11	51.54	19.24	70.79	53.65	35.97	89.62	51.92	22.25	74.17
FY12	52.29	16.92	69.22	60.20	30.22	90.42	53.64	19.19	72.83
FY13	54.94	16.49	71.43	61.94	29.78	91.73	56.13	18.76	74.89
FY14	58.54	14.63	73.18	58.67	35.69	94.36	58.56	18.23	76.79
FY15	63.31	12.07	75.38	55.41	31.74	87.15	61.83	15.77	77.60
FY16	73.07	10.40	83.47	69.22	23.52	92.74	72.34	12.87	85.22
FY17	75.99	8.21	84.20	75.77	17.62	93.39	75.95	9.93	85.88
FY18	88.58	8.03	96.61	72.93	16.92	89.86	85.38	9.85	95.23
For 13 years:									
Average	65.14	13.91	79.05	58.12	27.44	85.55	63.58	16.51	80.09
Maximum	88.58	21.18	96.61	81.69	44.65	94.36	85.38	25.97	95.23
Minimum	49.99	8.03	69.22	35.62	2.20	68.09	48.07	7.23	72.83

In above table, in North two capacities that were added in in last month of FY18 have not been considered. Further, the capacities added in FY18 in South, were taken as half of actual.



For FY18, industry's overall cement despatches grew by about 14% (FY17: 4%). Local despatches went up by 15% (FY17: 8%) and exports sales moved up by about 2% (FY17: -21%). This brought overall industrial utilization at 95% (FY17: 87%). In it local sales contributed for 85% (FY17: 76%) and exports for 10% (FY17:10%).

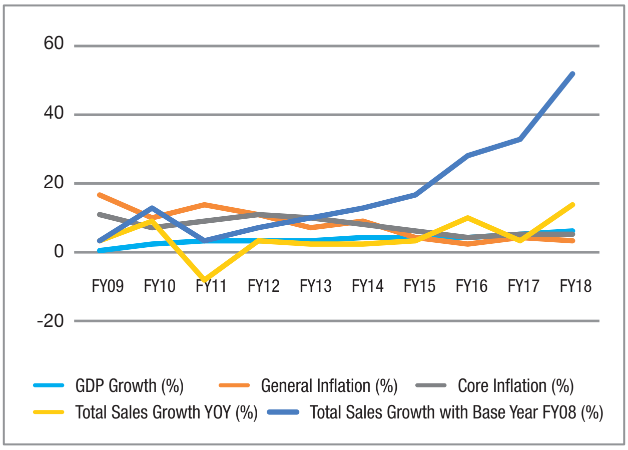
In North zone, overall despatches thrusted upward by 15% (FY17:4%), local sales went up by 16% (FY17: 8%) and exports headed downward by -2% (FY17: -18%). In South area, overall despatches registered growth of 10% (FY17:0.7%), local sales graph went up by 10% (FY17: 9%) and exports touched a positive 10% growth (FY17: -25%).

In North side it showed massive growth while south side also showed handsome trend. North side exports though dipped but almost maintained a previous level but Southern side regained an export momentum.

Pakistan Per Capita Cement Consumption was registered at about 190 kg.

Industry Exports in FY17 were about 4.6 million tons. For the nine months of FY18 industry exports were about 3.4 million tons and for the year FY18 were about 4.7 million tons. If we roughly convert this quantity to USD at yearly average it would be around USD 230 million (roughly) for FY17 and USD 235 million (roughly) for FY18 at yearly average at an estimated per ton rate.

	Exports	Local	Total
Per annum Growth Rate for 10 Years	-4.74	6.19	4.24
Per annum Growth Rate for 5 Years	-10.74	10.43	6.54
Per annum Growth Rate for 3 Years	-12.95	13.42	9.04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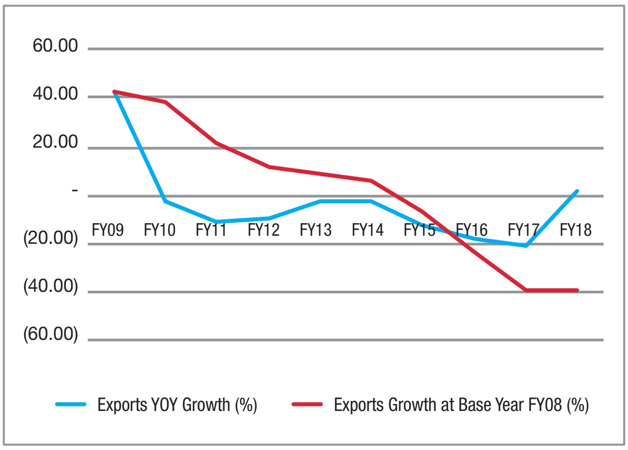
FY18
GDP Growth (%)
General Inflation (%)
Core Inflation (%)
Total Sales Growth YOY (%)
Total Sales Growth with Base Year FY08 (%)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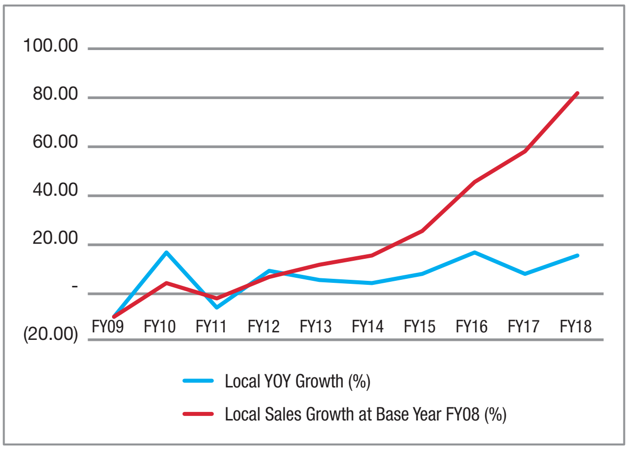
Exports YOY Growth (%)
Exports Growth at Base Year FY08 (%)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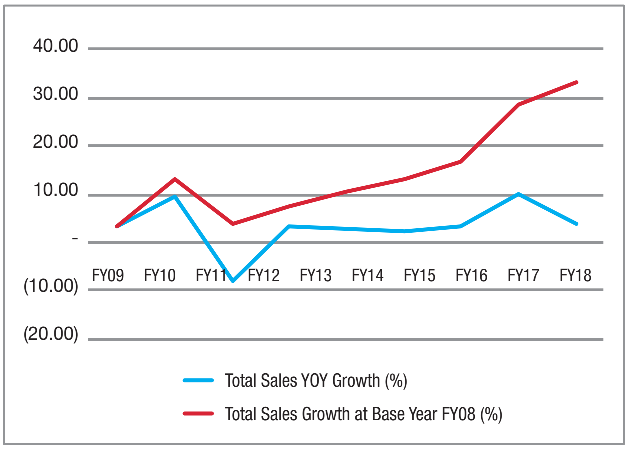
Local YOY Growth (%)
Local Sales Growth at Base Year FY08 (%)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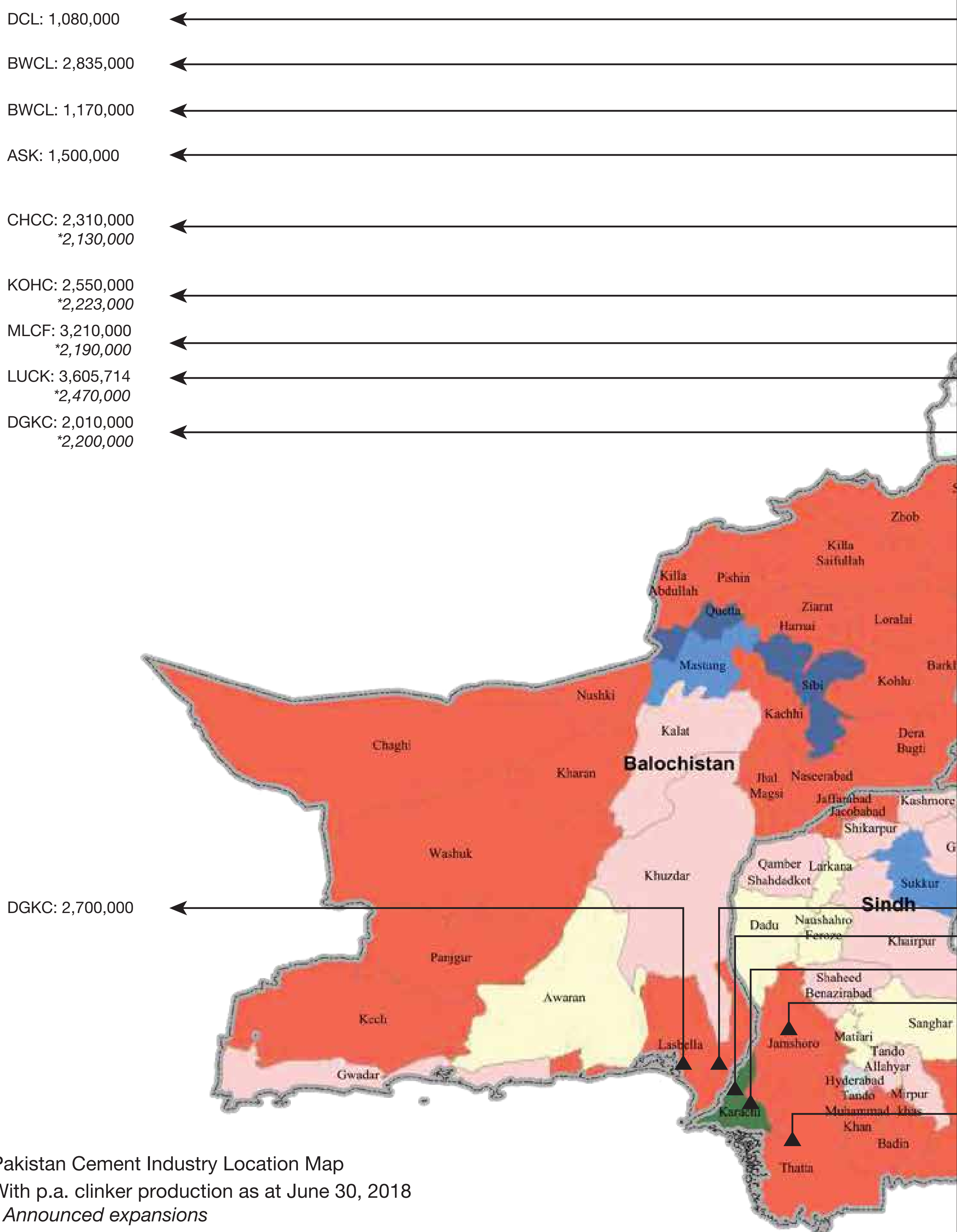
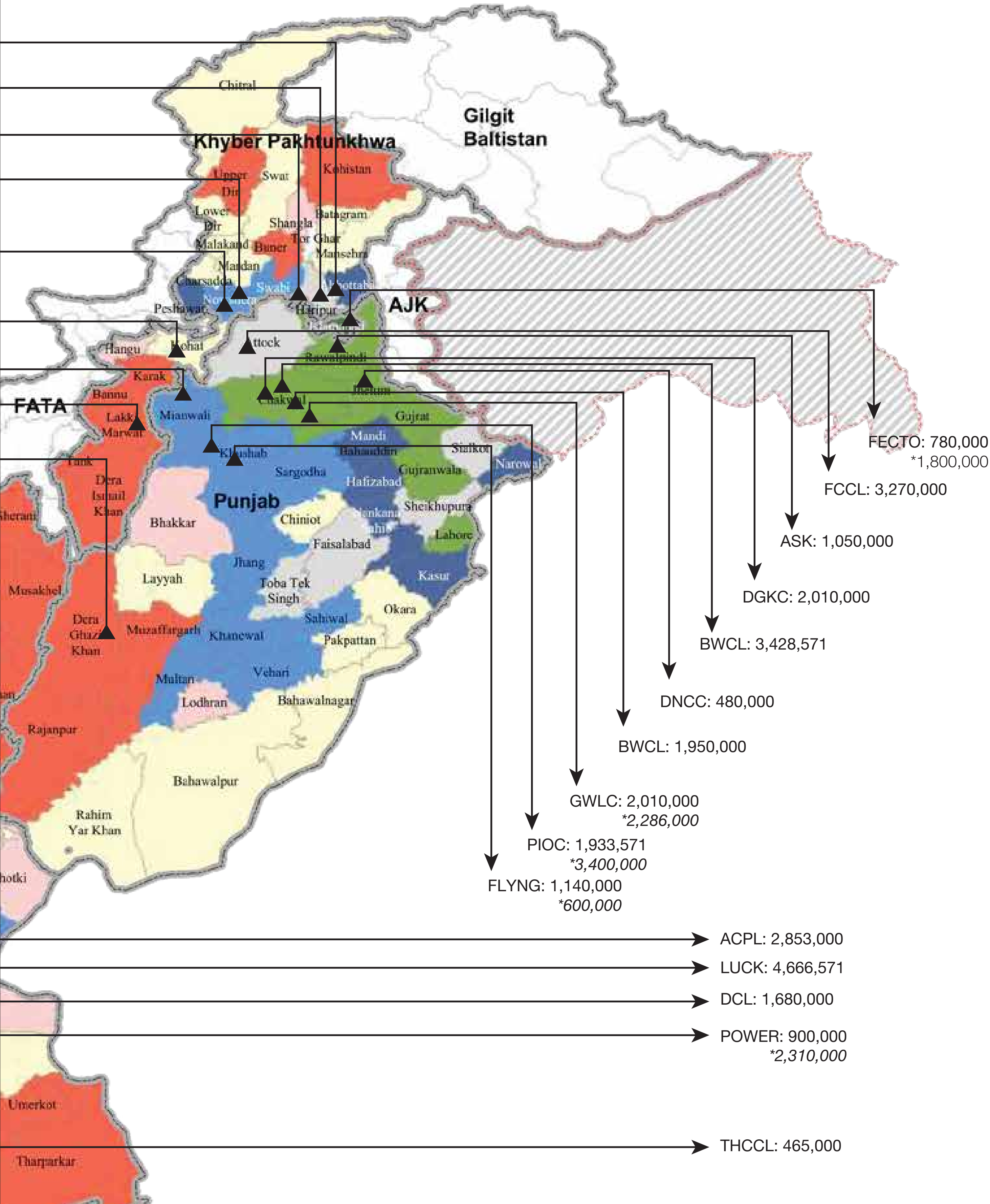
Total Sales YOY Growth (%)
Total Sales Growth at Base Year FY08 (%)



Pakistan Cement Industry Location Map
With p.a. clinker production as at June 30, 2018
** Announced expansions*


Gilgit
Baltistan
Khyber Pakhtunkhwa
AJK
FATA
Punjab
Chitral
Upper Dir
Swat
Kohistan
Lower Dir
Shangla
Batagram
Malakand
Buner
Tor Ghar
Mansehra
Mardan
Charsadda
Swabi
Abbottabad
Peshawar
Haripur
Attock
Hangu
Kohat
Rawalpindi
Karak
Bannu
Jhelum
Chakwal
Mianwali
Gujrat
Lakki Marwat
Mandi Bahauddin
Sialkot
Narowal
Tank
Khushab
Dera Ismail Khan
Sargodha
Gujranwala
Hafizabad
Sheikhupura
Bhakkar
Chiniot
Nankana Sahib
Lahore
Faisalabad
Jhang
Kasur
Layyah
Toba Tek Singh
Musakhel
Okara
Sahiwal
Dera Ghazi Khan
Muzaffargarh
Khanewal
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Rahim Yar Khan
Umerkot
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FCCL: 3,270,000
ASK: 1,050,000
DGKC: 2,010,000
BWCL: 3,428,571
DNCC: 480,000
BWCL: 1,950,000
GWLC: 2,010,000
*2,286,000
PIOC: 1,933,571
*3,400,000
FLYNG: 1,140,000
*600,000
ACPL: 2,853,000
LUCK: 4,666,571
DCL: 1,680,000
POWER: 900,000
*2,310,000
THCCL: 465,000

Business Performance of Pakistan Cement Industry

Pakistan Cement Industry is a gigantic industry in terms of its business and financial performance. In FY17 the industry total equity was about more than PKR 319 billion that grew up to more than PKR 363 billion by March 2018. This industry has total assets of about more than PKR 515 billion in FY17 that rose up to about more than PKR 589 billion by March 2018. Overall industry equity is about 60% of its total assets. Industry had a total debt of about more than PKR 71 billion in FY17.

In FY17, industry net sales were about more than PKR 262 billion, gross margins were about more than PKR98 billion, earnings after tax were about more than PKR 58 billion and EBITDA were about more than PKR 101 billion. In FY17, Industry average gross margin was about 38%, PAT margin was about 22% and EBITDA margin was about 39%. It shows the industry contribution to GDP.

For nine months ended March 2018, Industry net sales were about more than PKR 206 billion, gross margins were about more than PKR 62 billion, earnings after tax were about more than PKR 38 billion and EBITDA were about more than PKR 63 billion. For nine months of FY18, Industry average gross margin was about 30%, PAT margin was about 18% and EBITDA margin was about 31%. As complete FY18 results are not available yet for the industry, therefore, based on nine months data year numbers can be prorated and projected. This analysis led to conclusion that margins dipped in overall industry. Though the desptaches of industry grew on YOY basis but the volatile price, expansion scenario, high coal prices, increased inflationary factor and oil prices contributed to squeezed margins. Even though margins declined, yet the industry profitability percentages are at reasonably good levels.

For FY17 industrial EPS came out to be around 10 and industry average PE is about 15 that has witnessed an increasing trend over couple of years.

Notable Levies on Cement Industry

Notable government levies on cement industry:

Sales Tax:	17% on MRP
Federal Excise Duty:	PKR 1,250/MT
	FY19 = PKR 1,500/MT
Corporate Income Tax:	For FY18 = 30%
	For FY19 = 29%
Import of Cement Tariff Structure:	
Custom Duty:	20%
Additional Custom Duty:	2%
Sales Tax:	17%
Excise Duty:	Rs.1.5/kg
Income Tax:	9%

PSX Performace

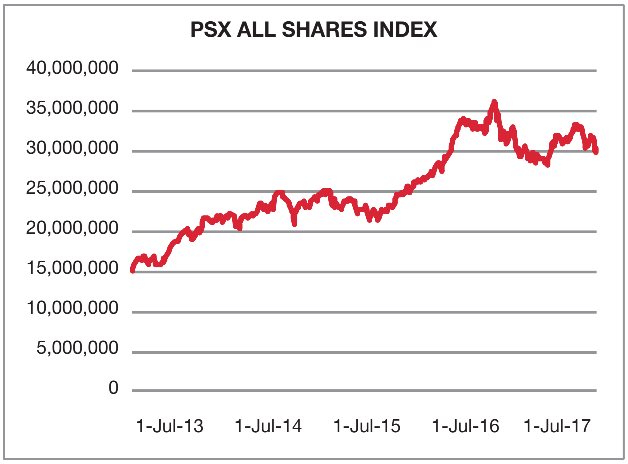
PSX All Share data

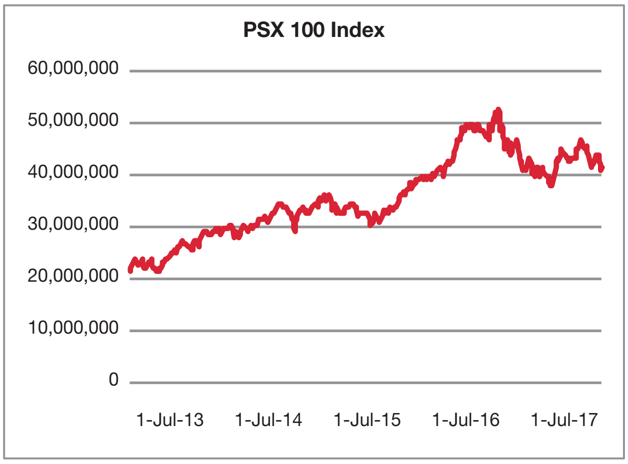
	Turnover	PSX Market Capitalisation	PSX Traded Value
29-Jun-18		8,665,045,026,016	6,077,013,067
1-Jul-17		9,195,132,212,516	8,834,817,784
Average FY18	174,532,459	8,905,039,874,752	8,141,253,881
Average FY17	350,024,146	9,081,435,268,303	15,363,677,260
Average FY 16	208,095,539	7,157,751,152,964	9,504,591,519
Average FY15	219,696,135	7,204,982,168,304	11,042,413,277
Average FY14	215,543,091	6,174,416,278,054	8,667,550,005
Average FY14-FY18	233,243,696	7,711,905,433,304	10,536,647,727
Max FY18	455,270,410	9,743,139,528,556	21,107,123,301
Max FY17	903,223,080	10,446,084,569,305	53,337,571,532
Max FY16	783,331,590	7,816,779,719,406	19,761,956,297
Max FY15	568,075,350	7,896,823,612,413	23,638,264,104
Max FY14	496,323,130	7,082,900,750,664	17,741,465,199
Max FY14-FY18	903,223,080	10,446,084,569,305	53,337,571,532

PSX100 data

	Turnover	PSX Market Capitalisation	PSX Traded Value
29-Jun-18		2,045,249,590,000	4,382,529,478
1-Jul-17		2,224,704,770,000	7,180,863,490
Average FY18	83,873,564	2,104,854,482,651	6,274,346,559
Average FY17	140,427,458	2,336,853,231,926	11,064,670,701
Average FY 16	113,584,339	1,865,026,005,892	7,635,393,627
Average FY15	139,638,909	1,700,751,365,285	9,089,925,145
Average FY14	146,171,734	1,898,722,065,223	7,293,813,606
Average FY14-FY18	124,586,965	1,980,429,804,542	8,258,908,077
Max FY18	201,987,710	2,377,916,410,000	16,606,744,495
Max FY17	384,499,940	4,274,316,290,000	50,173,137,351
Max FY16	273,930,650	3,438,071,000,000	17,540,081,119
Max FY15	364,949,260	1,942,680,390,000	20,819,337,659
Max FY14	368,268,940	153,017,660,000,000	15,571,078,814
Max FY14-FY18	384,499,940	153,017,660,000,000	50,173,137,351

Pakistan Cement Industry Performance in Stock Exchange





PSX100 Index per annum growth rate (%):

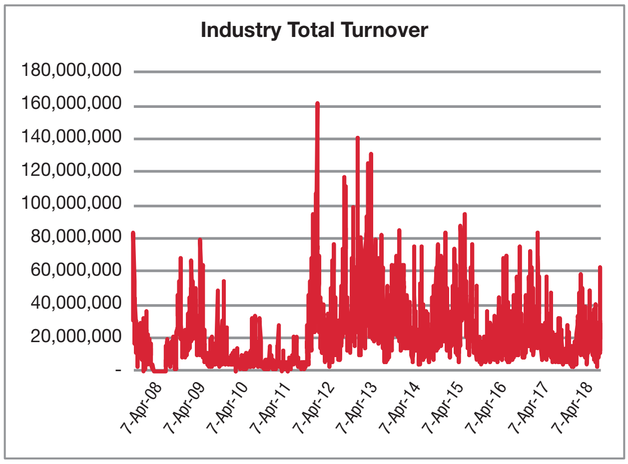
For Last Five Years	14.43
For Last Four Years	8.99
For Last Three Years	6.35
For Last Two Years	5.07

PSX100

	Start of Period	Close of Period	% Change	Standard Deviation
FY18	44,665	41,911	(6.17)	2,081
FY17	37,967	46,565	22.65	4,333
FY16	34,844	37,784	8.44	1,849
FY15	29,702	34,399	15.81	1,852
FY14	21,363	29,653	38.80	2,565
FY-14-18	21,363	41,911	96.18	7,765

	PSX100 Average Index
FY18	42,935.32
FY17	45,397.93
FY16	34,021.71
FY15	31,796.61
FY14	25,563.58
FY-14-18	35,928.54

Industry Turnover for last 10 years.

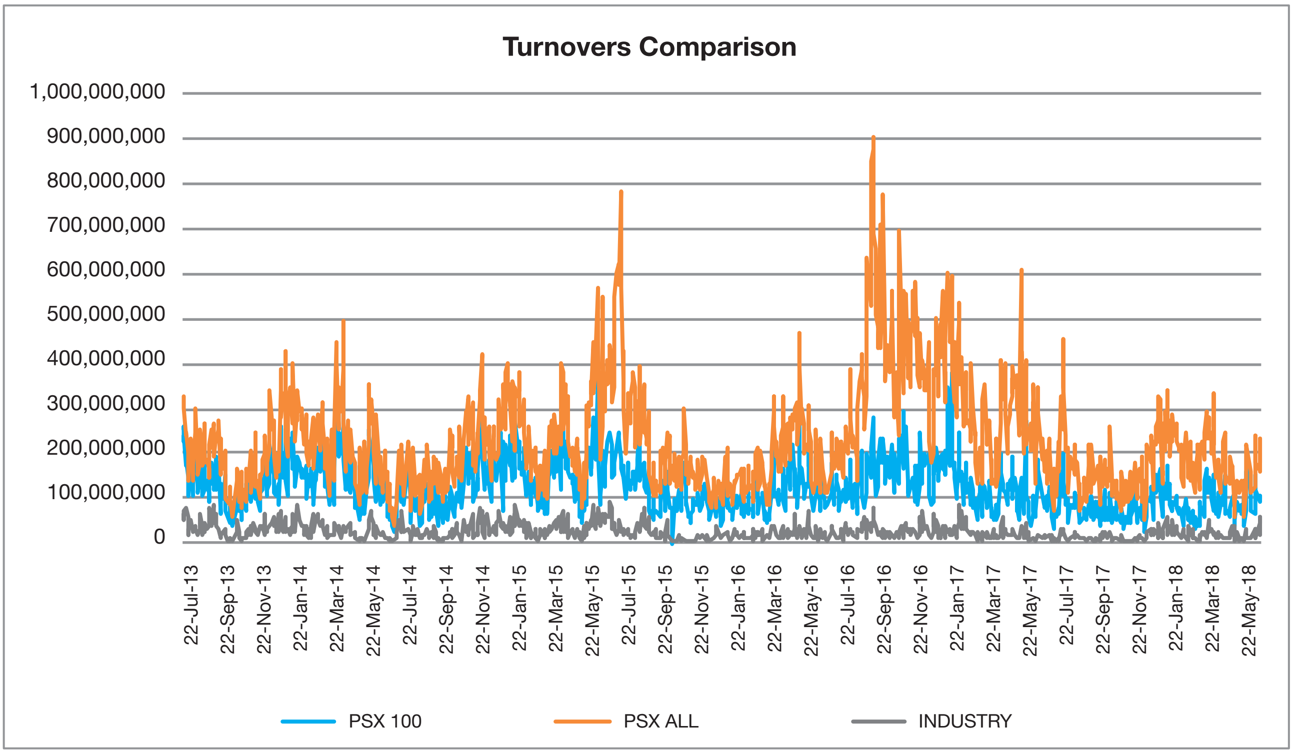


Industry turnover data

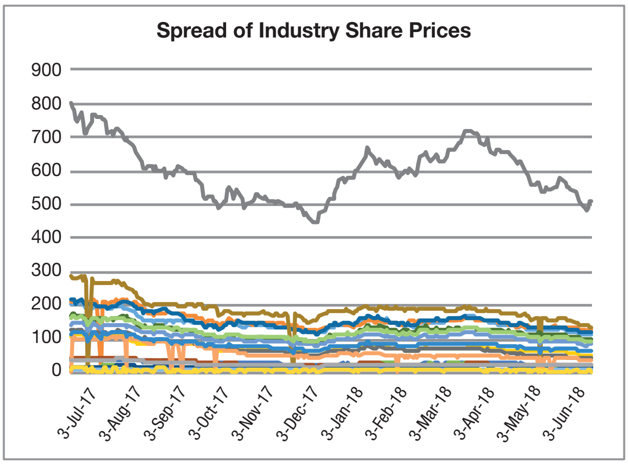
	Turnover
29-Jun-18	20,111,900
3-Jul-17	20,919,250
Average FY18	16,218,678
Average FY17	24,873,046
Average FY 16	21,022,144
Average FY15	30,916,970
Average FY14	31,027,902
Average FY14-FY18	24,780,516
Max FY18	61,993,700
Max FY17	83,514,250
Max FY16	94,993,500
Max FY15	88,112,000
Max FY14	84,689,000
Max FY14-FY18	94,993,500

Cement Industry total Market Capitalisation as at close of FY18 is about PKR 441 billion. This comes out to be about 21% of PSX100 market capitalization and 5% of PSX ALL SHARES. Industry average turnover is about 19% of PSX 100 turnover and 9% of PSX ALL turnover.

Year	All Industry daily Simple Average Price	Industry daily Simple Average (excl. a couple of low performing stocks)	Industry daily Simple Average (excl. extreme high and extreme low performing stocks)
FY18	108.26	122.48	85.76
FY17	158.94	179.70	132.06
FY16	106.99	121.01	88.98
FY15	82.83	93.71	65.65
FY14	56.99	64.13	46.23

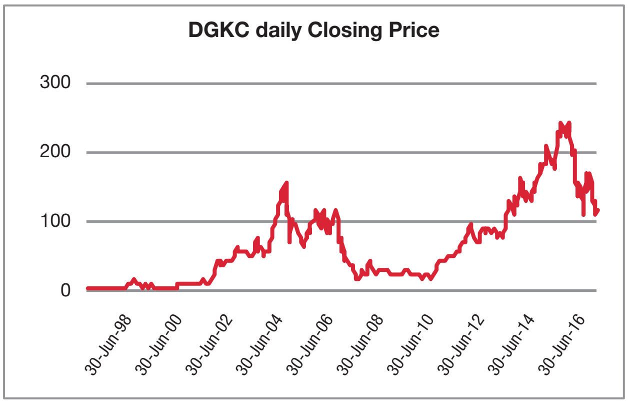


Industry companies share prices range for FY18.

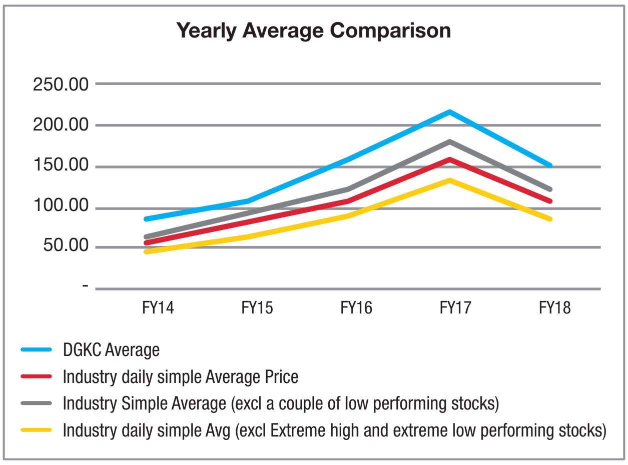


DGKC Share Trends

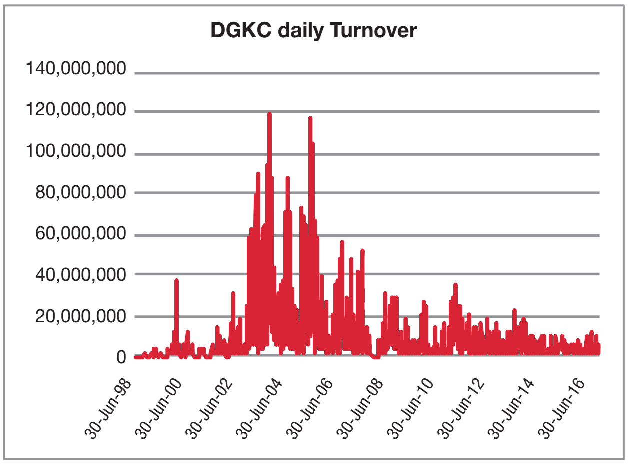
DGKC share price history since its listing on stock exchange.



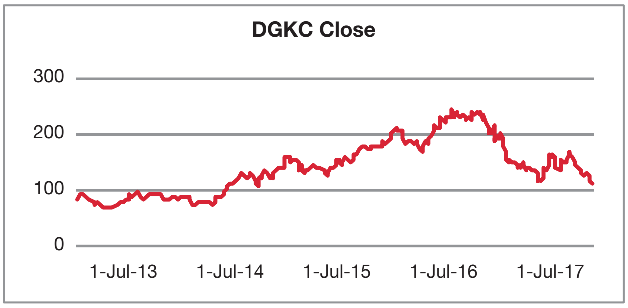
Various Industry averages of share prices and its comparison with DGKC stock price for last 5 years.



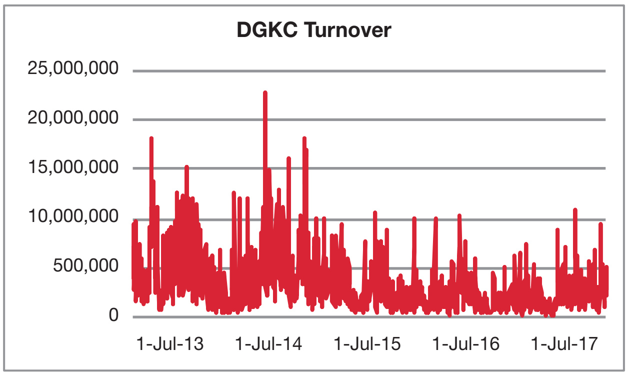
DGKC share turnover history since its listing on stock exchange.

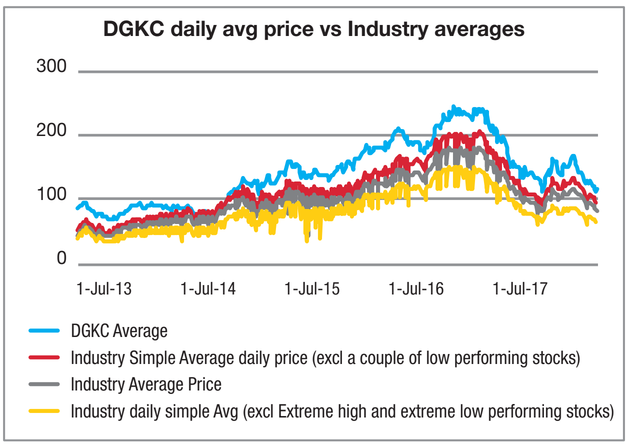


DGKC share price trend for last 5 years.



DGKC share turnover history for last 5 years.





DGKC stock data

	Turnover	PSX Market Capitalisation
29-Jun-18	2,354,800	50,160,257,820
3-Jul-17	1,586,400	88,762,933,307
Average FY18	2,325,971	65,744,700,297
Average FY17	2,072,094	94,012,228,790
Average FY 16	2,778,800	68,522,598,073
Average FY15	4,858,228	47,160,246,064
Average FY14	4,682,838	37,275,653,475
Average FY14-FY18	3,341,974	62,503,713,222
Max FY18	10,856,700	94,296,377,767
Max FY17	10,464,100	107,501,287,984
Max FY16	10,566,700	83,544,934,611
Max FY15	22,670,500	62,813,137,948
Max FY14	18,099,000	42,247,826,549
Max FY14-FY18	22,670,500	107,501,287,984

DGKC stock price per annum growth rate (%):

For Last Five Years	5.95
For Last Four Years	6.77
For Last Three Years	-7.56
For Last Two Years	-22.59

Average Share Price Standard Deviation comparison:

Year	DGKC	All Industry daily Simple Average Price	Industry daily Simple Average (excl. a couple of low performing stocks)	Industry daily Simple Average (excl. extreme high and extreme low performing stocks)
FY18	22.24	16.57	18.77	14.88
FY17	21.01	17.01	19.05	14.16
FY16	16.83	13.11	14.95	13.10
FY15	22.42	12.76	14.44	12.15
FY14	7.69	7.69	8.63	6.14

DGKC Market Capitalisation as on close of FY18 is about 11% of industry Market Capitalisation.

DGKC Share price statistics for last 5 years.

Period	Standard Deviation (for daily average)	MAX (daily average)	MIN (daily average)	Average (daily average)	Closing Price-Start of Year	Closing Price-End of Year	% Change during year (Cl. Price)	Dividend Per Share
FY18	22.24	212.42	110.94	150.26	202.09	114.49	(43.35)	4.25
FY17	21.01	247.43	171.54	214.86	191.05	213.16	11.57	7.5
FY16	16.83	191.11	127.89	156.61	144.93	190.49	31.44	6
FY15	22.42	144.17	70.75	107.83	88.11	142.77	62.04	5
FY14	7.69	96.99	68.40	85.25	85.77	87.96	2.55	3.5
FY14-FY18	48.31	142.87	68.4	142.87	85.77	114.49	33.48	

Company 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 Hub site 1MW Solar Energy Project is under way & wind power project is also in study phase.
	Price	Prices of electricity, gas, furnace oil and coal could mark a reasonable impact on cost of sales.	• 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.

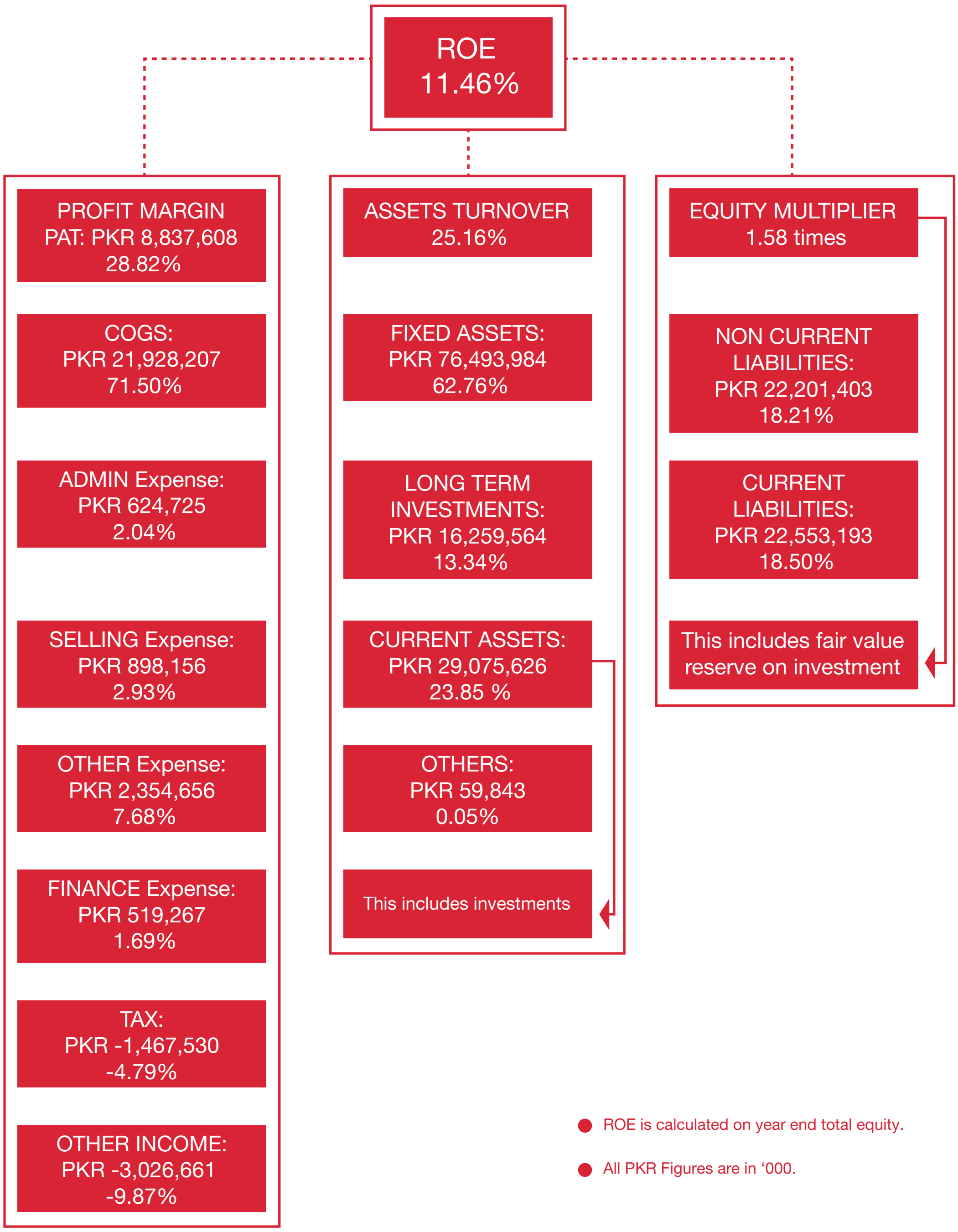
Risk Head	Type of Risk	Probable Impact	How it is handled/mitigated
Raw materials Limestone, Gypsum etc.	**Availability**	If supply of raw material is disrupted it could hamper the operations.	• Enough land areas and mines are obtained to secure supply of raw materials. • Factory sites are adjacent to main raw material quarries.
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.

Risk Head	Type of Risk	Probable Impact	How it is handled/mitigated
	Price	• Cement price is volatile locally and so could bring remarkable changes in income statement. • Exports markets are also very competitive.	• Market dynamics are minutely considered all the time to devise the strategy. • Reducing costs to be competitive. • Search for new markets for exports.
Equity Investments	**Price Fluctuations**	Shares price fluctuations could hit the equity under fair value reserves or income statement in either way.	As far as strategic investments are concerned these are fix on balance sheet. Market movements are minutely monitored for Investments for gain.
	Dividend	Dividend increase/decrease can shape the bottom line.	Most of the dividends are from strategic investments.
Factory Operations	**Obsolescence**	If a technology becomes obsolete, it can affect operational capability and competitiveness.	Our plants are state of the art. Cement plants technology is not a rapid changing technology. However, our plants, allied machineries and processes are on a continuous improvement path.
	Accident/Theft	Accident or theft can hamper production or cast a monetary loss.	• Adequate security and safety arrangements are made at all assets sites to ensure smooth running of operations. • Proper Insurance coverage is obtained from reputable insurance companies.
	Laws	• Any legal change could bring with it its necessary changes. • Non compliance can materially affect business.	Company is compliant with all prevailing laws and regulations and capable of adapting changing situations.
	Human resources	Persons to run the company affairs and operations are a must.	Qualified and Experienced human resources are hired. Company considers its employees as an asset and compensate them for their value-able services. Company manages employee retention and retirement policies. Policies are in place to ensure integrity of employees.

Company Performance

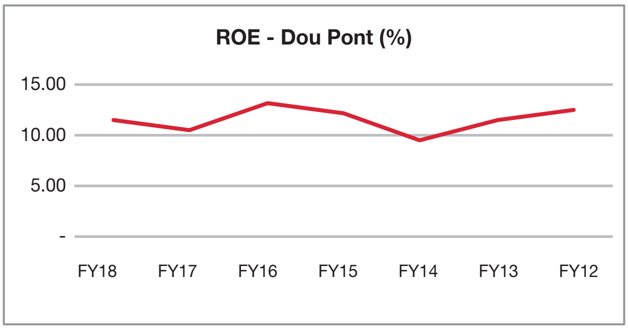
Return on Equity

The Company's Return on Equity for FY18 is 11.46%.

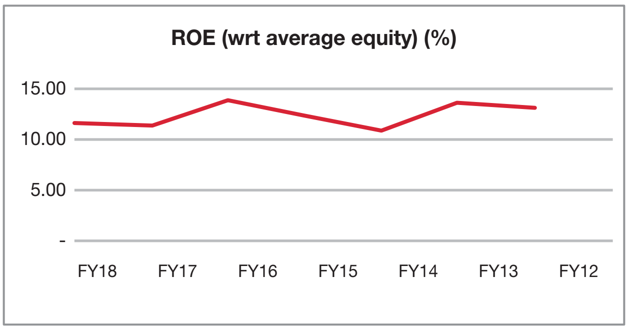


- ROE is calculated on year end total equity.
- All PKR Figures are in '000.

	FY18	FY17	FY16	FY15	FY14	FY13	FY12
ROA (wrt to average total assets) (%)	7.68	8.32	11.14	10.33	8.72	9.64	8.18
ROE - Dou Pont (%)	11.46	10.65	13.36	12.24	9.70	11.47	12.49
ROE (PBT/Equity) (%)	9.55	14.90	18.97	15.33	12.76	14.80	12.32



Average ROE for seven years FY12-18 is 11.62% with highest of 13.36% during these seven years. Return on average equity for FY18 is 11.63%.

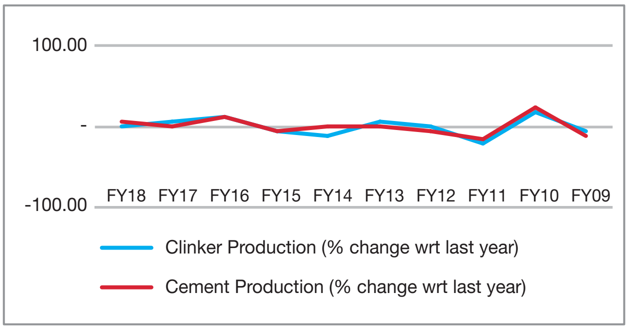


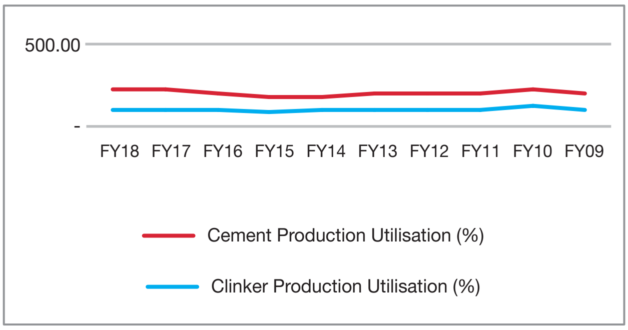
The Company's ROE is well diversified in its components. It earned profit margin of 28.82% with a corresponding 25.16% ratio of sales to total assets deployed. This gives a 7.25% return on assets. That was then multiplied by equity multiplier of 1.58 to reach a return of 11.46%. These bifurcated ratios show that each component of the balance sheet and income statement working in an appropriate way to impart individual good returns and a reasonable combined effect as well.

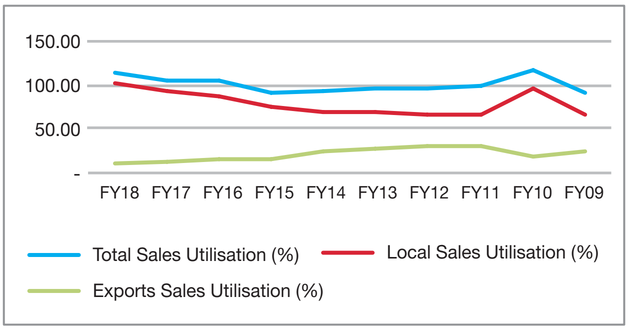
Volumes & Production

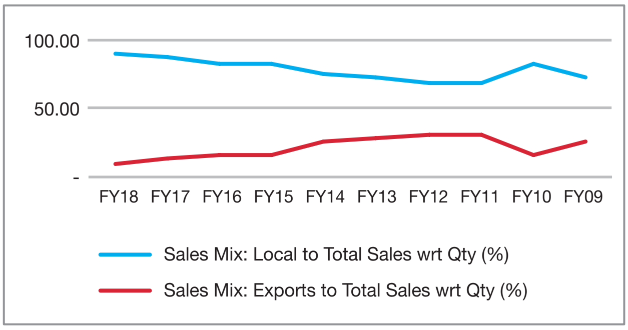
	FY18	FY17	FY16
Production:			
Clinker	4,413,413	4,314,600	3,964,998
Cement	4,857,761	4,588,900	4,426,631
Cement Sales:	4,810,250	4,478,065	4,422,691
Local	4,352,185	3,895,042	3,710,393
Export	458,065	583,023	712,298
Clinker Sale Local	26,576	-	-
Clinker Purchase	39,997	-	-

	FY18	FY17
Clinker Production (% change wrt last year)	2.29	8.82
Cement Production (% change wrt last year)	5.86	3.67









Kiln Operational Days

	DGK 1	DGK 2	KHP	TOTAL
FY18	335	332	326	993
FY17	308	321	329	958
FY16	260	324	291	875

Kiln Fuel Consumption (%)

	Coal	Furnace Oil	Alternate Fuel
FY18	88.06	0.17	11.77
FY17	84.27	0.30	15.44
FY16	74.79	0.20	25.01

Alternate Fuels Consumption Trend (%)

Finished Solid Combustible Material	41.69	45.29	50.54
Poultry Waste	38.27	53.06	34.32
Rice Husk	-	0.36	14.25
Others	20.04	1.29	0.89

Electricity Usage (%)

FY18	94	6
FY17	94	6
FY16	88	12

Captive Power generation (% to total captive power generation)

FY18	0.35	45.55	17.36	36.73
FY17	2.74	54.12	14.48	28.66
FY16	18.12	61.34	20.54	-

Captive Power Generation (in million KWH)

FY18	2	219	84	177	482
FY17	13	250	67	133	463
FY16	73	246	82	-	401

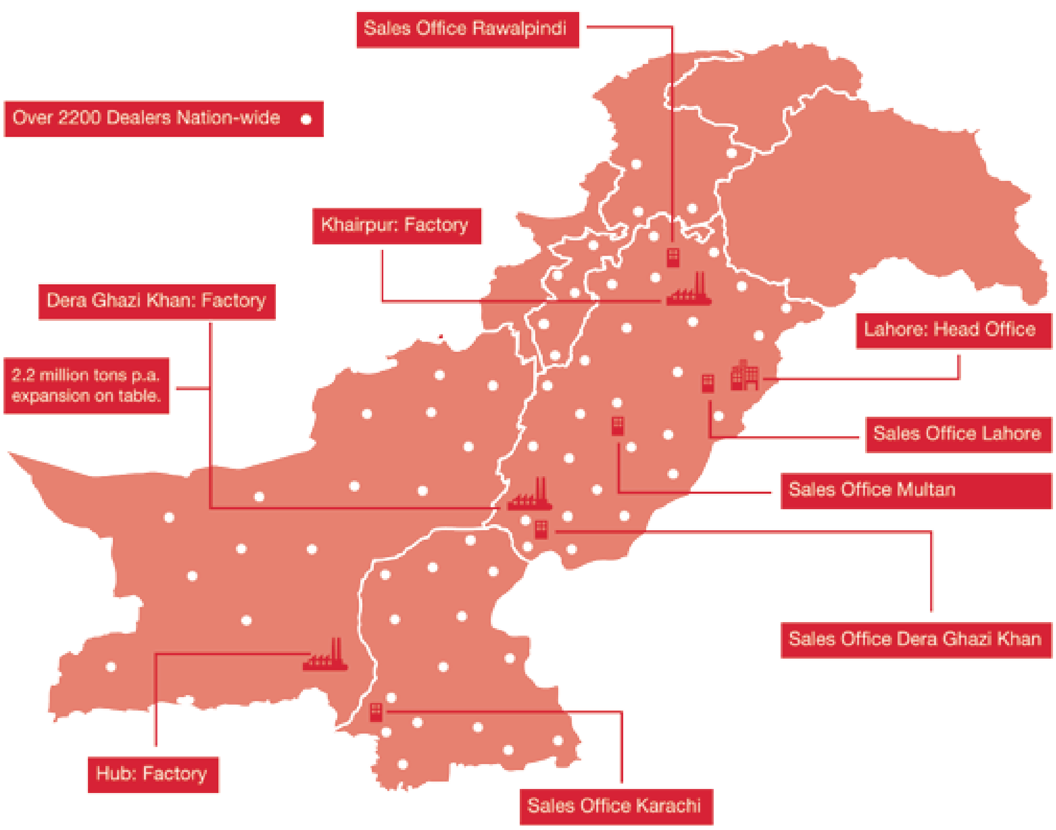
Sales

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 and pan Pakistan banking arrangements for its clients. 24/7 despatch mechanism with corroborating logistics is in place. More than 90% sales are on advance payment basis.

In local market 97% despatch pertains to OPC and rest to SRC.

Sales Value and Volume Analysis

Cement Gross Local (PKR in '000)	40,519,337	36,990,666	33,190,696
Clinker Gross Local (PKR in '000)	158,579	-	-
Total Gross Local (PKR in '000)	40,677,915	36,990,666	33,190,696
Net Local (PKR in '000)	28,055,189	26,831,233	26,024,924
Gross Exports (PKR in '000)	2,729,855	3,394,074	3,855,019
Net Exports (PKR in '000)	2,613,238	3,304,932	3,678,833
Local Sales (MT) (excluding own consumption)	4,352,185	3,895,042	3,710,393
Clinker Sales - Local (MT)	26,576	-	-
Exports (MT)	458,065	583,023	712,298



Average Per Ton Price Analysis

	FY18	FY17	FY16
Local			
Clinker Average Price – Gross	5,967	-	-
Cement Average Price – Gross	9,310	9,497	8,945
Average Net (Clinker + Cement)	6,407	6,889	7,014
Exports			
Cement Average Price – Gross	5,960	5,822	5,412
Cement Average Price – Net	5,705	5,669	5,165
Overall Average Price – Net	**6,341**	**6,730**	**6,716**

% Change in per ton average prices on YOY basis

	FY18	FY17
Cement Local Gross	(1.97)	6.17
Local Net	(6.99)	(1.79)
Exports Gross	2.37	7.56
Exports Net	0.64	9.76
Overall Net	(5.78)	0.20

% Change in Sales Quantity on YOY basis

	FY18	FY17
Cement Local	11.74	4.98
Cement Exports	(21.43)	(18.15)
Cement Total	7.42	1.25

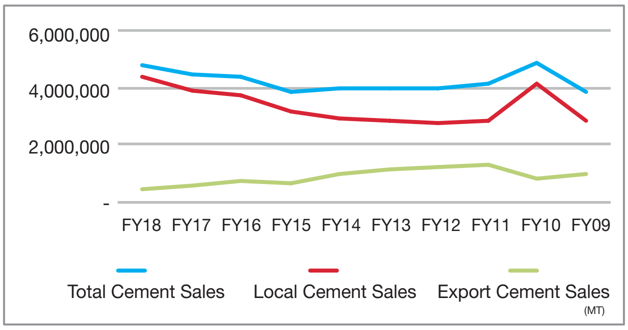
% Change in Sales Value on YOY basis

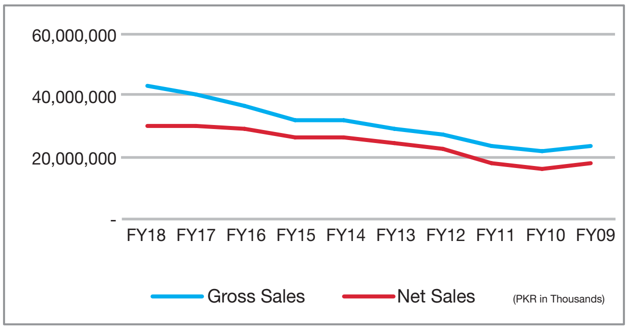
	FY18	FY17
Gross Local	9.97	11.45
Net Local	4.56	3.10
Gross Exports	(19.57)	(11.96)
Net Exports	(20.93)	(10.16)
Overall Net	1.77	1.46

Analysis reveal that overall cement sales quantity increased by 7.4% but the net value increased by just 1.7%. On local front cement quantity sold increased by 11.7% but the value could not corroborate it and increased by only 9.5% in gross terms despite the fact that excise duty and cost of business increased in year under review. This shows price pressure cement faced in local market. This fact could be better understood if we look at the per ton price change analysis that shows that local gross and net prices as well as overall net per ton prices decreased on YOY basis. As gross prices increased less proportionately to increase in excise duty therefore, per ton net sales decreased accordingly.

Analysis on the gross and net sales figures in local market depicts that government levies that were about 21% of gross sales value in FY16, increased to about 27% in FY17 and 30% in FY18.

Expansions that came online since FY17, put pressure on price and restrict the complete passing of excise duty impact. Positive thing is that even with new capacities coming online, the price decline is not that bad that shows the strength of demand for cement in local geography.





The charts clearly shows that exports decreasing while local supply in on a continuous rise. Further, the gap between gross and net values expanded since FY16.

Overall exports quantity declined by 21% in FY18 as compared to 18% decline in FY17. About 77% of the Company's exports are through road and 23% are by sea. In FY18, exports to India are 77% by road and 23% by sea.

Exports to countries volumetric change in % on YOY basis:

	FY18	FY17
Afghanistan	(42.11)	(65.78)
India (by road)	(15.36)	30.41
India (by sea)	(9.38)	31.77
Sri Lanka	(64.91)	72.73

Exports (in %)

	FY18	FY17	FY16	FY15	FY14	FY13
Afghanistan	8.57	11.72	28.04	35.81	34.06	35.86
India	88.40	81.41	50.99	31.79	21.32	11.70
South Africa	-	-	-	13.41	26.46	24.33
Sri Lanka	3.03	6.84	3.24	2.32	6.02	9.14
Other African Countries	-	0.02	17.73	16.67	12.13	18.97

Since FY16, exports quantity to Afghanistan reduced by about 80%.

The Company exports are mostly on advance payment basis or letter of credit. The Company earned foreign exchange of about USD 24 million in FY18 (calculated at yearly average rate). Per ton average rate of gross exports for FY18 remained at PKR 5,960/-. This increased by about 2.3% that was in last year. However, export rates are still under pressure and could not reach the per ton rate that was in FY13 but are still better than last four years.

Cement exports market shrunk due to tough competition in African market, imposition of anti-dumping duty in South Africa and capture of Afghanistan market by Iranian cement.

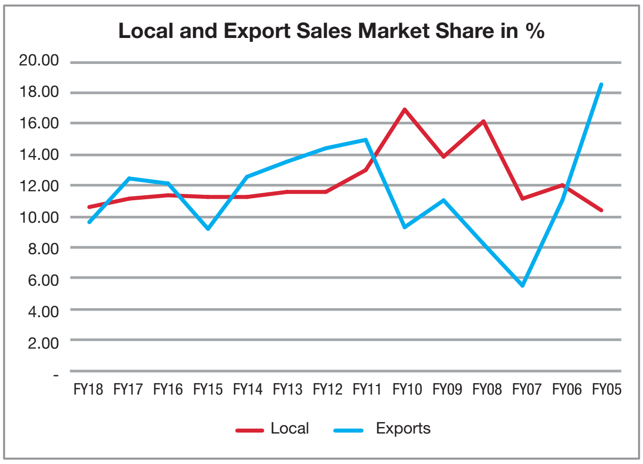
With the new plant of the Company near port, the Company eyes on new exports avenue through sea routes. The new plant will provide better opportunity to handle exports orders with better margin playing field. Besides cement the Company eyes on exporting clinker as well to many countries not having limestone reserves.

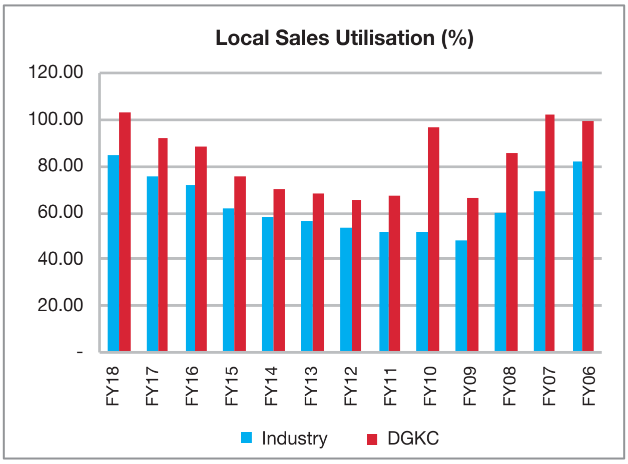
DGKC market share in %

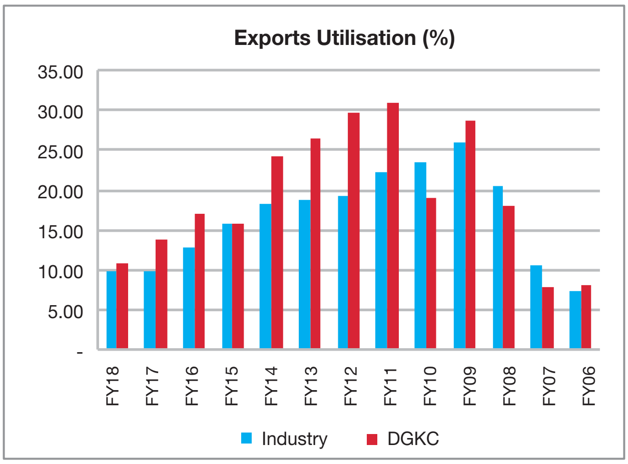
FY	Local	Exports
FY18	10.58	9.65
FY17	11.13	12.47
FY16	11.33	12.18
FY15	11.3	9.19
FY14	11.3	12.55
FY13	11.54	13.51
FY12	11.57	14.41
FY11	13.01	14.96
FY10	16.92	9.35
FY09	13.89	11.01
FY08	16.15	8.25
FY07	11.12	5.53
FY06	12.02	11.01
FY05	10.4	18.5

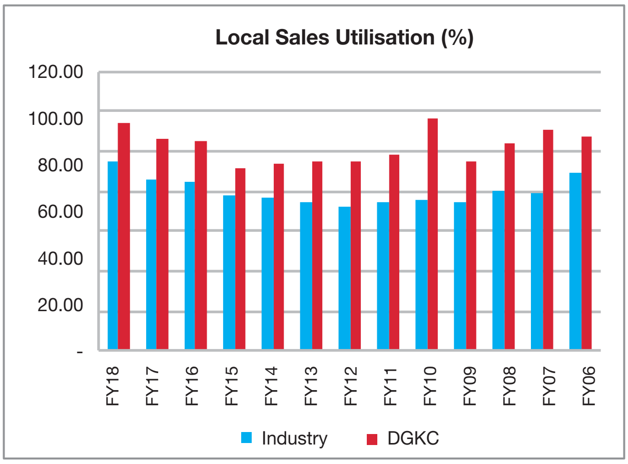
The market share trend that came down in FY18 is expected to move upward with induction of new production line.

Comparison of utilisations between Industry and the Company elaborates that the Company excels the Industry in utilisation. It gives a competitive edge to the Company in achieving economies of scale and profitability objectives. Besides this shows the deep rooted network and plant efficiencies.







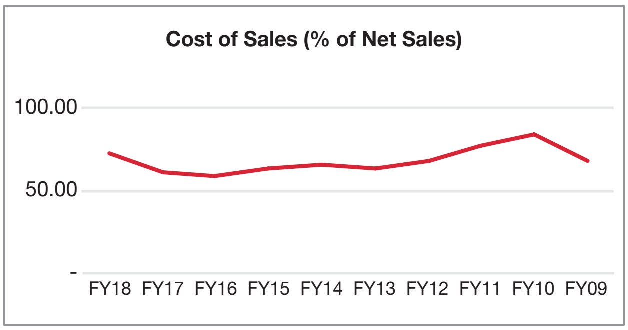


Utilisation in % Comparison between Industry and DGKC

	Local Sales		Exports		Total	
	Industry	DGKC	Industry	DGKC	Industry	DGKC
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
FY15	61.83	75.72	15.77	15.68	77.60	91.40
FY14	58.56	70.01	18.23	24.20	76.79	94.20
FY13	56.13	68.42	18.76	26.54	74.89	94.96
FY12	53.64	65.52	19.19	29.69	72.83	95.21
FY11	51.92	67.78	22.25	30.91	74.17	98.69
FY10	51.97	97.22	23.49	19.07	75.46	116.30
FY09	48.07	66.89	25.97	28.63	74.05	95.52
FY08	59.92	86.36	20.48	17.92	80.40	104.28
FY07	68.97	102.73	10.58	7.80	79.56	110.53
FY06	81.85	99.67	7.23	8.06	89.08	107.73

Cost of Sales

Average of last 10 years shows that Cost of Sales of the Company remained at around 68% of net sales on average.



During FY18 it was about 71.5% (FY17: 61%). This a massive change of about 20% YOY (FY17: 7%). This is the highest YOY increase in last decade.

Different sub heads as % of COGS

	FY18	FY17
Raw and packing materials consumed	12.30	12.85
Salaries, wages and other benefits	9.52	10.16
Electricity and gas	11.51	13.15
Furnace oil and coal	43.74	43.94
Stores and spares consumed	8.96	8.27
Depreciation	10.17	10.84
Others	3.80	0.79

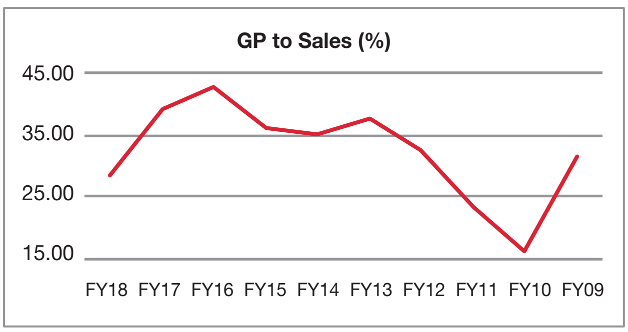
Energy component i.e., Electricity, Gas, Furnace Oil and Coal, occupy more than 55% of COGS.

	% Change in FY18 (YOY)
Raw and packing materials consumed	14.77
Salaries, wages and other benefits	12.40
Electricity and gas	4.88
Furnace oil and coal	19.34
Stores and spares consumed	29.91
Repairs and maintenance	47.59
Depreciation on operating fixed assets	12.49

There are some main reasons for increase in COGS. Packing material prices increased. Clinker purchase cost is also reflected in raw material consumed. More coal is used in power generation as compared to last year. Coal prices increased. Approximately 17% increase is witnessed in coal C&F prices. This brought trickle-down effect of increase in duties and other expenses based on value of commodity. Spares and repair and maintenance also contributed to increase in COGS due to purchase of spares and maintenance on one-off basis. Depreciation charge increased as partial depreciation for new capitalization added. Pak Rupee devaluation multiplied the cost of coal. Exchange rate devaluation also put burden on imported spares value. Kiln operational days increased by 3.6%. Clinker and cement production increased by 2.29% and 5.8% respectively, that also brought in its incremental increase in cost.

Gross Margin

The Company's average GP margin for last 10 years is about 32% with lowest in FY10 of 16.6% and highest of 42.6% in FY16.

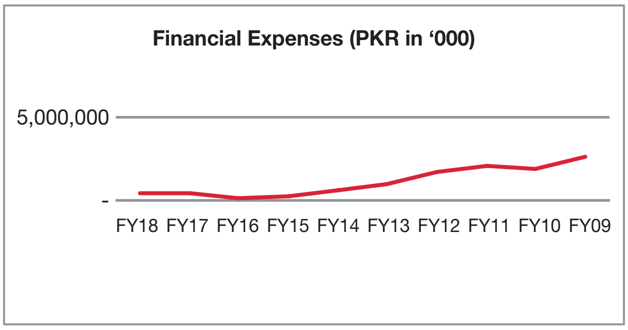


Selling Costs

The major component in selling cost is of freight that pertains to exports. As exports dropped therefore, freight and handling charges slashed.

Financial expenses

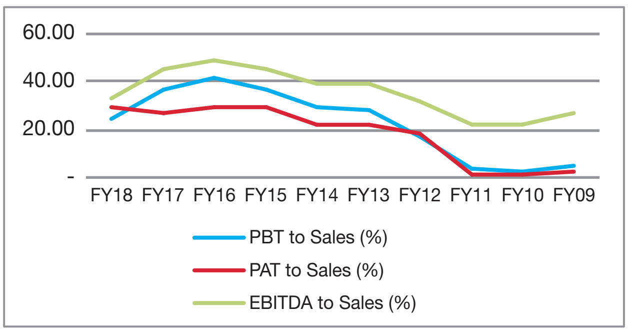
Finance cost is directly linked to the level of borrowing and interest rates prevailing. Now the borrowing level and interest rates both are picking up.



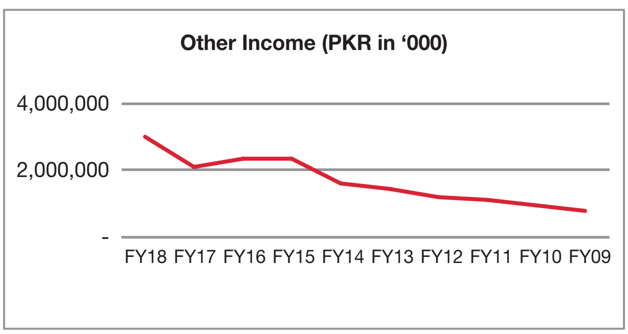
Taxation

Taxation for FY18 includes investment tax credit amounting to Rs 3,000 million arising primarily on the installation of plant and machinery of the cement production facility during the year at Hub entitled under section 65B of the Income Tax Ordinance, 2001. Such investment tax credit has been adjusted against the income tax liability for the year which includes the tax under normal tax regime of the Income Tax Ordinance, 2001 ('the Ordinance') at the rate of 30%, tax on exports and dividend income which is full and final discharge of Company's tax liability in respect of income arising from such source and tax on capital gains under section 37A of the Ordinance. The unadjusted carried forward investment tax credit has been recognised as a deferred tax asset.

Earnings



Other income

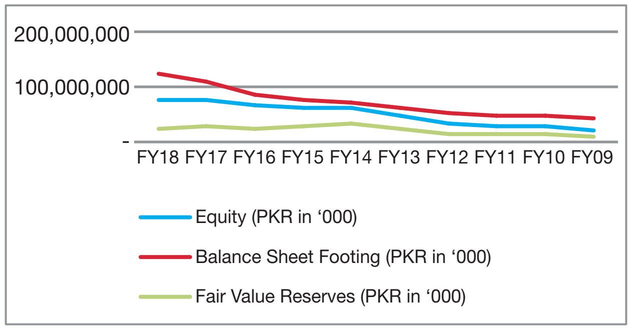


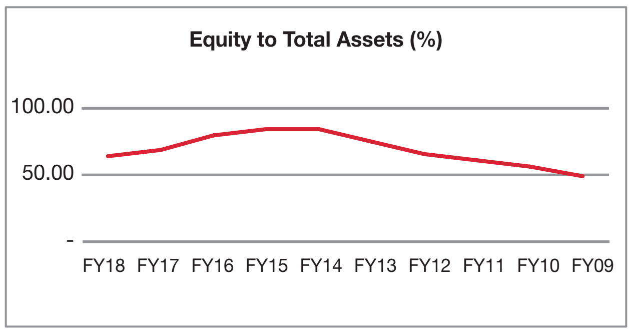
Total Assets & Equity

The Company's equity is more than 60% of total assets. This represents very strong balance sheet structure. The equity itself is comprised of 6% of paid up capital, 45% of reserves and 49% of unappropriated profit. The reserves are comprised as follows:

	%
Share premium	13
Fair value reserve	71
Capital redemption reserve fund	1
General reserve	15

Therefore, fair value reserves come out to be about 32% of total equity as on close of FY18.





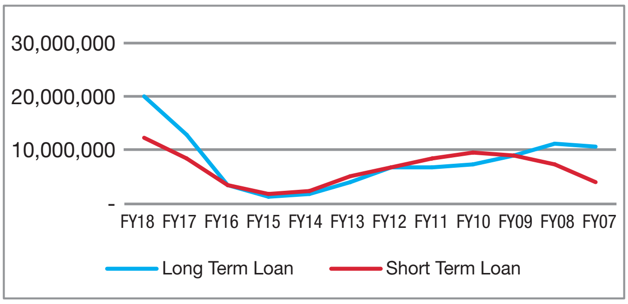
Borrowings

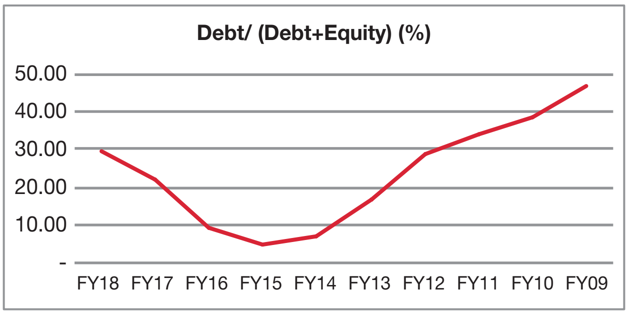
The Company's borrowing, long and short term, reached at all time high. The combined borrowing as at close of FY18 was PKR 32 billion. Out of that PKR 20 billion is under long term and PKR 12 billion is under short term arrangements. Though in monetary terms the borrowing is very high but the balance sheet of the Company is strong enough to absorb this. The Company structure can even accommodate further financing. In FY18, total debt to equity was at about 42% and debt to debt plus equity was about 29%. These ratios clearly show the strength, safety and ample available further cushion in Company's balance sheet. Interest coverage ratio is 19 times with respect to EBITDA. Debt Service Coverage Ratio (without other income) is 7.

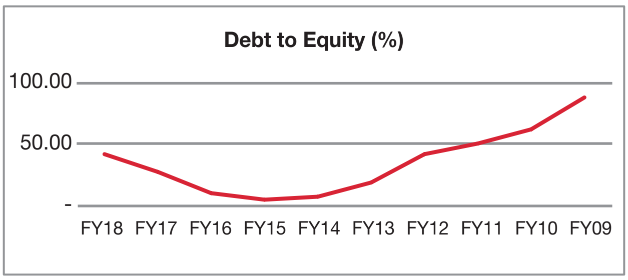
	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Other Income (% of PAT)	34.25	26.56	27.07	30.43	27.61	26.65	28.92
Other Income (% of Net Sales)	9.87	7.03	8.01	8.89	6.21	5.88	5.18

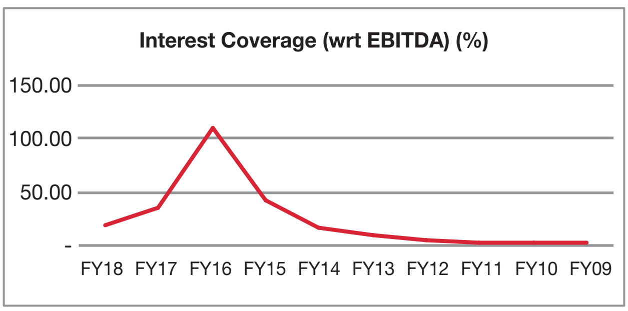
Long term financing increased many-fold primarily due to new greenfield plant at Hub. The short term lines reach high utilization levels due to increase in coal prices and devaluation in local currency.

Going forward, short term financing requirements would increase further due to new plant.



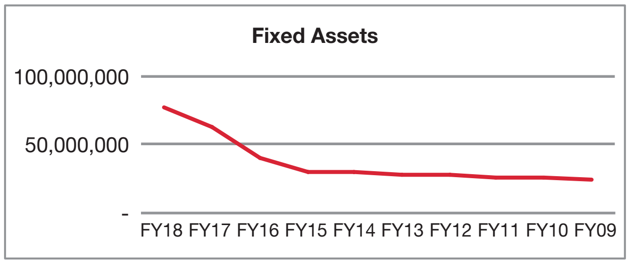


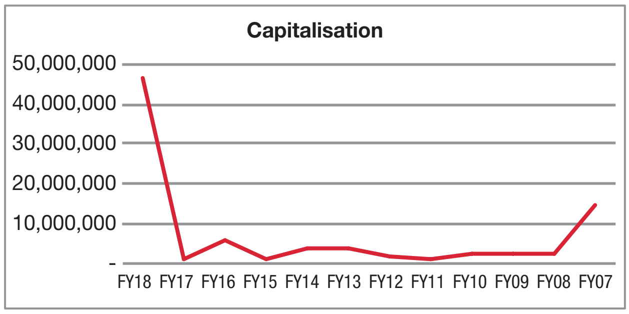




Fixed assets

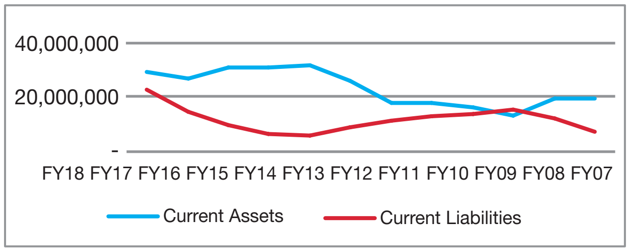
Fixed assets occupy about 63% of total assets as at close of FY18. On average 50% of total assets are fixed assets of the Company as per average trend of last decade. As cement manufacturing process is a capital-intensive venture, the same is reflected in this fact. Besides, this also shows that Company is always on keeping 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 FY18 a massive capitalization pertains to new plant at Hub.

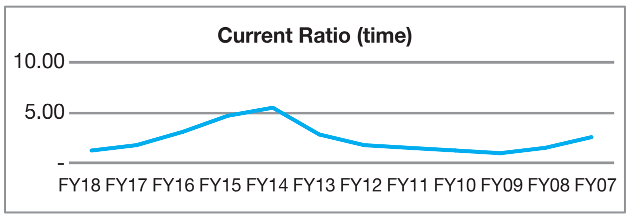




Working Capital

Current assets account for 24% of total assets while current liabilities are 19% as on FY18. On average for last ten years current assets are 35% and current liabilities are 19% of total assets.





Composition of current assets as on FY18 in % is:

Stores, spare & loose tools	17.59
Stock-in-trade	4.74
Trade debts	0.65
Investments	55.09
Other receivables	9.07
Loan to related party	3.44
Income tax receivable	7.81
Cash and bank balances	1.61

It shows that Company has about 77% liquid assets out of total current assets.

In current liabilities about 65% pertains to short term borrowing and current maturities while 34% to trade payables. In trade payables 82% pertains to trade creditors and accrued liabilities – the two major heads. Trade creditors increased.

Investments

Name of the Company	Sector	Associated/Other	Investment (Shares)	Equity Holding in Investee (%)	Cost of Investment (PKR)	Cost Per Share (PKR)	Fair/Face Value per Share (PKR)	Fair Value (PKR)	Dividend (PKR)
MCB Bank Limited *	Bank	Associated	102,277,232	8.63	604,068,039	5.91	197.77	20,227,368,173	1,636,436,000
Nishat Mills Limited	Textiles	Associated	30,289,501	8.61	1,577,173,617	52.07	140.92	4,268,396,481	151,448,000
Adamjee Insurance Co. Ltd.	Insurance	Others	27,229,235	7.78	1,332,609,077	48.94	48.73	1,326,880,622	66,965,000
Nishat (Chunian) Limited	Textiles	Others	7,274,602	3.03	77,936,454.08	10.71	47.48	345,398,103	-
United Bank Limited	Bank	Others	214,354	0.02	33,645,626	156.96	168.98	36,221,539	2,786,602
Pakistan Petroleum Limited	Petroleum	Others	595,382	0.03	117,404,766	197.19	214.90	127,947,592	5,953,820
Nishat Paper Products Co. Ltd.	Paper	Associated	25,595,398	55.00	250,811,310	9.80	8.67	221,874,731	51,192,000
Nishat Dairy (Pvt) Limited	Dairy	Associated	270,000,000	55.10	2,319,400,000	8.59	8.64	2,331,900,900	-
Nishat Hotels and Properties Limited	Hospitality	Associated	100,000,000	10.42	1,000,000,000	10.00	32.42	3,242,170,000	-
Hyundai Nishat Motor (Pvt) Ltd.	Automobiles	Associated	15,000,000	10.00	150,000,000	10.00	10.00	150,000,000	-
Total			**578,475,704**		**7,463,048,889**			**32,278,158,140**	**1,914,781,422**

*Paid up Capital of MCB increased by 72,029,258 shares due to merger of NIB Bank.

Purchases during the period:

Investee Name	**Number of Shares**	**Mode**	**Date**
Adamjee Insurance Company Limited	2,173,500	Open Market	July 2017 - March 2018
Hyundai Nishat Motors (Pvt.) Ltd.	15,000,000	Subscription	16-05-2018

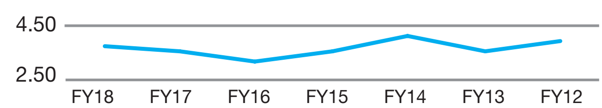
The Company to invest further in Nishat Hyundai Motors via right issue and for that it has already obtained shareholders' approval. The Company also plan further investment in Adamjee Insurance Company Limited via open market purchase and for this shareholders' approval will be sought.

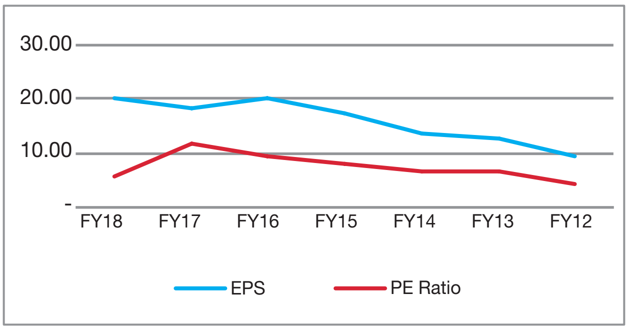
The Company has given a working capital loan of PKR 1 Billion to Nishat Hotels and Properties Limited.

Investors' Ratios

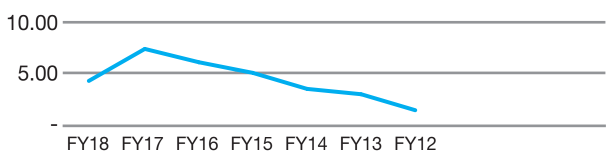
The Company's Earning Per Share is on a continuous rise. PE ratio was between 8 and 12 during FY15-FY17. It dropped as at close of FY18. This is due to little worrisome feelings among investors as regards the cement prices, expansions and increasing costs. It also has contribution from political stress and election process at year end time that plummeted stock market overall. The Company's average dividend payout ratio for last seven years is more than 25%.

DGKC Dividend Yield Ratio (wrt year end price) (%)

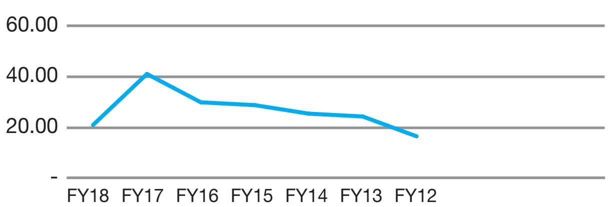


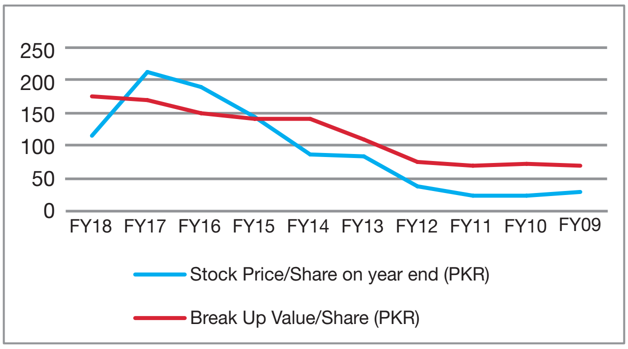


Dividend/Share (PKR)



Divident Payout Ratio (%)





	FY18	FY17	FY16	FY15	FY14	FY13	FY12
EPS	20.17	18.20	20.06	17.40	13.62	12.56	9.38
PE Ratio	5.68	11.71	9.49	8.21	6.46	6.66	4.20

Consolidated Results

The Company's consolidated Net Earning is PKR 8.9 billion (FY17:PKR7.8 billion). Consolidated EPS is PKR 20.25 (FY17: PKR 18.01)

Consolidated accounts represents accounts of DGKC (the holding Company) and its subsidiaries:

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

Subsidiaries Capacities and Actual Performance

NPPL
Bags Production Capacity: 220 million bags per annum
Actual Bags Produced in FY18: 133 million bags

Low capacity utilization is apparent due to the fact that addition in capacity of 100 m bags p.a. was added in June 2018. Hence its production will be completely seen from next year.

NDL
Milk Production Capacity: 36.5 million liters per annum
Actual milk produced in FY18: 21.697 million liters (approx.)

NDL has 2,989 mature milking animals and 2,284 immature animals raised to produce milk as on June 30, 2018.

	NPPL	NDL (Consolidated)
Net Sales (PKR in millions) – FY18	2,994	1,296
Net Sales (PKR in millions) – FY17	2,484	1,110
EPS – FY18	5.47	(0.14)
EPS – FY17	7.3	(0.81)
Gross Margin - FY18	11.69	(18.38)
Gross Margin - FY17	23.64	(25.25)
PAT Margin - FY18	8.5	(5.15)
PAT Margin – FY17	13.67	(26.81)

Looking Ahead

The new government direction will be evident by November / December. The upcoming policies will be critical and significant in determining the future course of action for national economy and sections operating within it. These will be indicator for how macro & micro economic situation going to be.

As far as global politics is concerned, things are happening at fast pace in it. New developments are taking place. New blocks are coming out. Changing politics is changing economics or it can be said economics is changing politics. It is expected that in coming year world political situation will keep on changing headlines at a rapid rate. This will bring more unpredictability and unreliability. On global front, important factors to keep on watchlist are trade and any trade related embargos among countries, oil prices, coal prices, international interest rates, international laws on transactions and few currencies. China-USA and Russia-USA rifts and trade restrictions are important to observe. These may not be completely bad but may open new ventures and avenues for other countries including Pakistan and Pakistani corporates.

Global economic growth is expected to be positive but at slower pace. However, world trade that boomed in previous year might keep this long-lost trend. Improvement in global cement trade is beneficial for Pakistan Industry and the Company.

GDP growth of country in coming year may slow down on account of various reasons narrated. Oil prices may be stable and range bound. This may hold inflation to some extent. Fiscal and Trade Deficits coupled with country huge borrowings and low foreign exchange reserves are expected to keep Pakistani Rupee under pressure.

This pressure on PKR could increase trade and fiscal deficit and also pressure inflation. This may lead to further increase of SBP policy rate.

Coal prices have come down from touching all time high. It is expected that this commodity get an average price of over USD90-100/ton for coming year.

Based on these, expenses of the Company may get hit on account of depreciating Rupee for import component and inflation on general. If coal prices did not settle this may consume margins. On financing side, interest cost will increase. This will be due to increase in benchmark lending rate, increase in expected utilization of borrowing and allocation of long term loans markup to income statement that was earlier capitalized in Hub project cost.

As far as cement demand in domestic market is concerned it has enough cushion in long run. Construction sector is one of the highest growth registering sector. Population statistics imply for high household cement consumption. Urbanization is on rise and has enough depth to grow more. Rural areas have tremendous appetite. Per capita cement consumption of Pakistan is yet low. Population density statistics suggest for more development. Recent wave of dams' construction thought, government firm stance on building new dams including Diamer Bhasha and new government scheme for building huge number of houses are pointing to cement consumption avenues. Besides these other development projects remain there. As financing rates are moving up, this may slow down the house building loans that is already at comparatively low side despite recent growths. The stated factors are going to happen in coming few years. Therefore, taking a conservative view it is expected that demand in domestic market may expand further at single digit.

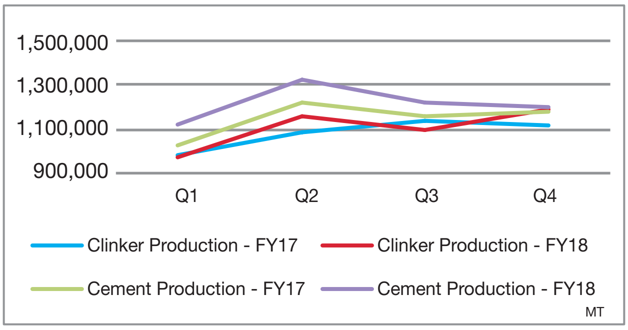
New expansions are ready to pump in the stocks in market in coming year. Around 12 million tons additional capacity is expected in FY19. This may put pressure on sales price. Therefore, price of cement may remain volatile but range bound.

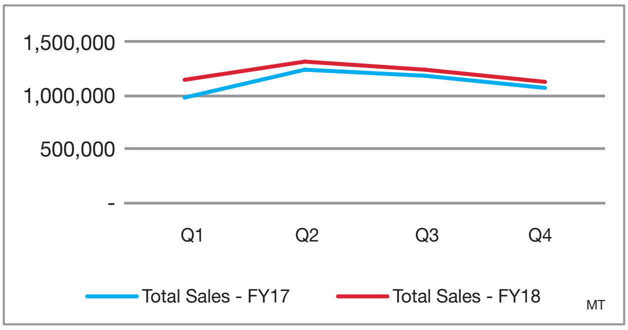
In FY19 budget, government has already increased federal excise duty by 20%. Therefore, this may put additional pressure on margins if not adequately passed on to consumer.

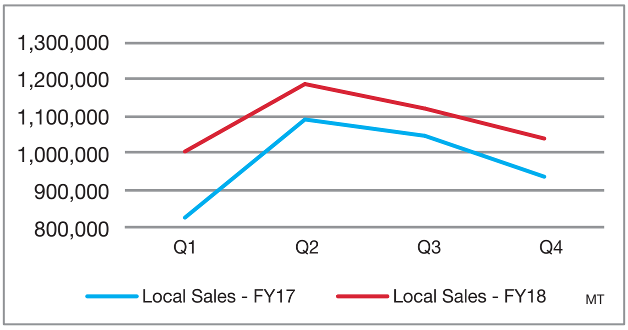
In FY19, the Company's Hub Project sales could boost exports besides local revenue.
Based on the stated facts and market scenario, it is expected that profitability of the Company could sustain pressures but could get hit. Albeit the available tax losses and Hub project tax holiday could sustain the bottom line.

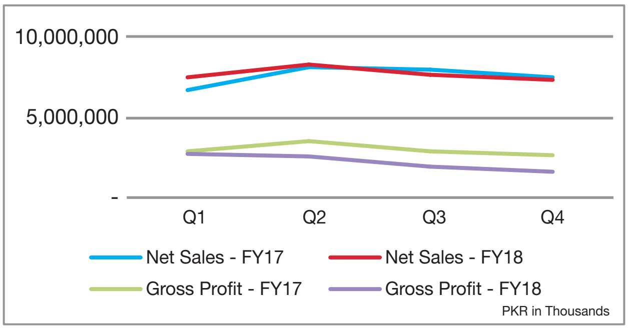
Quarterly Analysis

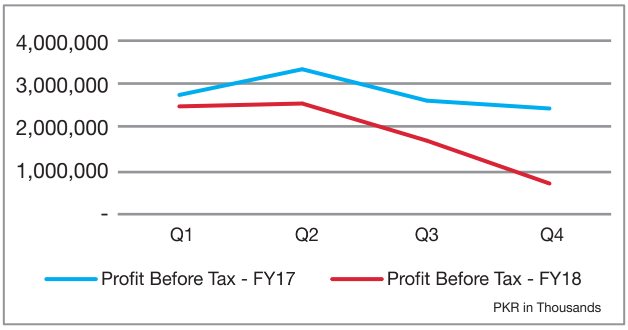
	FY17	Q1	Q2	Q3	Q4	FY18
						PKR in Thousands
Sales-Net	30,136,165	7,527,449	8,236,221	7,611,538	7,293,220	30,668,428
Cost of Sales	18,291,600	4,872,232	5,641,518	5,692,157	5,722,300	21,928,207
Gross Profit	11,844,565	2,655,217	2,594,703	1,919,381	1,570,920	8,740,221
Administrative Expenses	551,221	149,439	146,480	159,205	169,601	624,725
Selling & Distrubtion Expenses	979,045	232,751	227,414	231,044	206,947	898,156
Other Operating Expenses	891,513	196,274	273,254	186,738	1,698,390	2,354,656
Other Income	2,118,216	485,302	707,543	446,086	1,387,730	3,026,661
Operational Profit	11,541,002	2,562,055	2,655,098	1,788,480	883,712	7,889,345
Finance Cost	382,895	88,691	103,953	125,381	201,242	519,267
Profit Before Tax	11,158,107	2,473,364	2,551,145	1,663,099	682,470	7,370,078
Taxation	3,182,766	(364,064)	1,654,718	427,125	(3,185,309)	(1,467,530)
Profit After Tax	7,975,341	2,837,428	896,427	1,235,974	3,867,779	8,837,608
Cash Flows from Operating Activities	5,877,328	1,694,325	4,385,236	5,988,152	(3,157,015)	8,910,698
Cash Flows from Investing Activities	24,430,219	(3,623,634)	(6,635,005)	(10,053,059)	4,240,907	(16,070,791)
Cash Flows from Financing Activities	6,861,444	3,759,000	3,313,030	3,427,873	(6,794,388)	3,705,515
Balance Sheet Footing	108,371,319	111,661,697	115,802,159	119,509,759	121,889,017	121,889,017
Equity	74,868,879	77,037,949	74,778,251	77,312,917	77,134,421	77,134,421
Non-Current Liabilities	18,652,637	22,128,495	24,672,411	24,990,068	22,201,403	22,201,403
Current Liabilities	14,849,803	12,495,253	16,351,497	17,206,774	22,553,193	22,553,193
Non-Current Assets	81,070,635	84,069,683	87,131,384	91,131,318	92,813,391	92,813,391
Current Assets	27,300,684	27,592,014	28,670,775	28,378,441	29,075,626	29,075,626
						Figures in Tons
Clinker Production	4,314,600	971,818	1,161,949	1,093,952	1,185,694	4,413,413
Cement Production	4,588,900	1,120,298	1,319,762	1,218,812	1,198,889	4,857,761
Total Sales	4,478,065	1,135,784	1,312,483	1,244,199	1,117,784	4,810,250
Local Sales	3,895,042	1,005,421	1,186,816	1,120,714	1,039,234	4,352,185
Exports Sales	583,023	130,363	125,667	123,485	78,550	458,065
Clinker Sales – Local	-	-	26,576	-	-	26,576
EPS (PKR)	18.20	6.48	2.05	2.82	8.82	20.17











Per Share Income Statement

PKR/Share

	FY18	FY17	FY16
Sales	70.00	68.79	67.80
Other income	6.91	4.83	5.43
Total Revenue	**76.91**	**73.62**	**73.23**
Cost of sales	-50.05	-41.75	-38.88
Administrative expenses	-1.43	-1.26	-1.31
Selling and distribution expenses	-2.05	-2.23	-2.17
Other operating expenses	-5.37	-2.03	-2.09
Finance cost	-1.19	-0.87	-0.30
Taxation	3.35	-7.26	-8.42
Total Expense	**-56.74**	**-55.42**	**-53.17**
Profit after taxation	**20.17**	**18.20**	**20.06**

Decade at a Glance

	FY 18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Production:										(in MT)
Clinker	4,413,413	4,314,600	3,964,998	3,507,230	3,585,103	3,924,090	3,773,948	3,738,404	4,684,379	3,946,101
Cement	4,857,761	4,588,900	4,426,631	3,849,672	3,988,512	4,031,801	4,004,458	4,176,733	4,908,593	3,877,296
Cement Sales:	4,810,250	4,478,065	4,422,691	3,858,070	3,976,272	4,008,276	4,018,956	4,165,635	4,908,962	3,854,949
Local	4,352,185	3,895,042	3,710,393	3,196,103	2,954,943	2,887,812	2,765,534	2,860,795	4,103,861	2,831,115
Export	458,065	583,023	712,298	661,967	1,021,329	1,120,464	1,253,422	1,304,840	805,101	1,023,834
Clinker Sale:										
Local	26,576	-	-	-	-	-	-	-	-	-
Export	-	-	-	-	-	6,000	5,945	98,521	71,041	177,064
Clinker Purchase	39,997.00	-	-	-	-	-	-	-	-	-
										(PKR in thousands)
Equity 77,134,421	74,868,879	65,783,429	62,296,071	61,516,535	47,956,798	32,899,525	30,217,283	26,519,220	20,918,442	
Balance Sheet Footing	121,889,017	108,371,391	83,418,265	74,391,443	73,282,069	63,526,719	50,685,198	49,703,229	47,046,043	42,723,041
Fair Value Reserves	24,779,125	28,031,837	24,256,385	27,405,272	32,722,894	23,802,704	13,580,112	14,974,881	12,908,175	8,757,417
Equity without FV Reserves	52,355,296	46,837,042	41,527,044	34,890,799	28,793,641	24,154,094	19,319,413	15,242,402	13,611,045	12,161,025
Fixed Assets	76,493,984	62,447,737	39,576,830	29,958,970	29,832,625	28,740,974	27,185,726	25,985,385	25,307,302	24,345,793
Capitalisation	46,233,538	1,264,268	5,730,155	925,479	3,465,403	3,750,420	2,039,499	764,442	2,364,052	2,738,775
Long Term Loan	20,040,471	13,020,000	3,538,251	1,348,522	2,111,513	4,327,841	6,785,851	6,875,127	7,222,988	9,135,311
Short Term Loan	12,209,667	8,571,228	3,451,352	1,826,072	2,551,676	5,420,290	6,733,467	8,691,982	9,585,642	9,068,575
Current Assets	29,075,626	27,300,684	30,835,521	31,426,342	32,068,626	25,789,989	18,265,583	18,325,209	16,417,492	13,287,592
Current Liabilities	22,553,193	14,849,803	10,056,634	6,583,476	5,940,563	9,307,593	11,205,943	12,687,375	13,786,189	15,834,799
Gross Sales	43,407,770	40,384,740	37,045,715	32,468,621	32,344,996	29,599,883	27,404,611	23,473,534	22,036,621	23,392,817
Net Sales	30,668,428	30,136,165	29,703,758	26,104,611	26,542,509	24,915,924	22,949,853	18,577,198	16,275,354	18,038,209
Cost of Sales	21,928,207	18,291,600	17,035,566	16,649,411	17,284,941	15,589,917	15,443,098	14,192,229	13,569,994	12,358,479
GP	8,740,221	11,844,565	12,668,192	9,455,200	9,257,568	9,326,007	7,506,755	4,384,969	2,705,360	5,679,730
Administrative Expenses	624,725	551,221	572,780	472,326	480,468	405,579	267,705	211,362	172,436	141,852
Selling Expenses	898,156	979,045	949,628	746,723	1,445,225	1,751,174	2,202,901	2,470,599	994,418	1,871,517
Other Expenses	2,354,656	891,513	913,642	727,805	518,745	544,806	500,835	37,964	189,015	795,854
Financial Expenses	519,267	382,895	130,451	281,504	608,859	994,879	1,670,784	2,079,146	1,902,760	2,606,358
Other Income	3,026,661	2,118,216	2,379,053	2,320,335	1,647,126	1,466,289	1,187,936	1,134,130	911,672	770,137
PBT	7,370,078	11,158,107	12,480,744	9,547,177	7,851,397	7,095,858	4,052,466	601,192	358,403	776,900
Taxation	(1,467,530)	3,182,766	3,691,072	1,922,497	1,885,899	1,593,689	-55,652	430,231	125,381	251,319
PAT	8,837,608	7,975,341	8,789,672	7,624,680	5,965,498	5,502,169	4,108,118	170,961	233,022	525,581
PBT without Dividend	5,435,293	9,214,053	10,610,827	7,843,711	6,417,218	5,800,225	2,993,759	-350,162	-407,995	69,669
PAT without Dividend	6,902,823	6,031,287	6,919,755	5,921,214	4,531,319	4,206,536	3,049,411	-780,393	-533,376	-181,650

	FY 18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Profitability Indicators										
EBITDA (PKR in '000)	10,193,594	13,602,813	14,483,061	11,709,284	10,250,258	9,668,492	7,170,962	4,110,748	3,653,727	4,752,123
EBITDA-Other Income (PKR in '000)	7,166,933	11,484,597	12,104,008	9,388,949	8,603,132	8,202,203	5,983,026	2,976,618	2,742,055	3,981,986
EBIT (PKR in '000)	7,889,345	11,541,002	12,611,195	9,828,681	8,460,256	8,090,737	5,723,250	2,680,338	2,261,163	3,383,258
Depreciation (PKR in '000)	2,304,249	2,061,811	1,871,866	1,880,603	1,790,002	1,577,755	1,447,712	1,430,410	1,392,564	1,368,865
GP to Sales (%)	28.50	39.30	42.65	36.22	34.88	37.43	32.71	23.60	16.62	31.49
PBT to Sales (%)	24.03	37.03	42.02	36.57	29.58	28.48	17.66	3.24	2.20	4.31
PAT to Sales (%)	28.82	26.46	29.59	29.21	22.48	22.08	17.90	0.92	1.43	2.91
EBITDA to Sales (%)	33.24	45.14	48.76	44.86	38.62	38.80	31.25	22.13	22.45	26.34
ROE (wrt average equity) (%)	11.63	11.34	13.73	12.32	10.90	13.61	13.02	0.60	0.98	2.06
ROA (wrt to average total assets) (%)	7.68	8.32	11.14	10.33	8.72	9.64	8.18	0.35	0.52	1.11
ROE (without fair value reserves) (%)	17.82	18.05	23.00	23.95	22.53	25.31	23.77	1.19	1.81	4.61
ROE - (PAT/Equity) (%)	11.46	10.65	13.36	12.24	9.70	11.47	12.49	0.57	0.88	2.51
ROE (PBT/Equity) (%)	9.55	14.90	18.97	15.33	12.76	14.80	12.32	1.99	1.35	3.71
Liquidity Indicators										
Operating Cashflows (PKR in '000)	8,910,698	5,877,328	11,119,972	9,954,056	8,724,257	6,685,968	4,011,634	370,314	842,005	1,147,994
Working Capital (PKR in '000)	6,522,433	12,450,881	20,778,887	24,842,866	26,128,063	16,482,396	7,059,640	5,637,834	2,631,303	-2,547,207
Current Ratio (times)	1.29	1.84	3.07	4.77	5.40	2.77	1.63	1.44	1.19	0.84
Investment/Market Indicators										
Ordinary Shares (No.)	438,119,118	438,119,118	438,119,118	438,119,118	438,119,118	438,119,118	438,119,118	438,119,118	365,099,266	304,249,388
Dividend/Share (PKR)	4.25	7.50	6.00	5.00	3.50	3.00	1.50	-	-	-
Stock Price/Share on year end (PKR)	114.5	213.16	190.49	142.77	87.96	83.69	39.38	22.99	23.62	29.65
EPS	20.17	18.20	20.06	17.40	13.62	12.56	9.38	0.45	0.72	1.63
PE Ratio	5.68	11.71	9.49	8.21	6.46	6.66	4.20	51.09	32.81	18.19
Divident Payout Ratio (%)	21.07	41.20	29.91	28.74	25.70	23.89	15.99	-	-	-
Dividend Yield Ratio (wrt year end price) (%)	3.71	3.52	3.15	3.50	3.98	3.58	3.81	-	-	-
Break Up Value/Share (PKR)	176.06	170.89	150.15	142.19	140.41	109.46	75.09	68.97	72.64	68.75
Capital Structure Indicators										
Debt/ (Debt+Equity) (%)	29.48	22.38	9.60	4.85	7.05	16.89	29.12	34.00	38.79	46.53
Debt to Equity (%)	41.81	28.84	10.63	5.10	7.58	20.33	41.09	51.52	63.38	87.02
Equity to Total Assets (%)	63.28	69.09	78.86	83.74	83.94	75.49	64.91	60.80	56.37	48.96
Interest Coverage (wrt EBITDA) (%)	19.63	35.53	111.02	41.60	16.84	9.72	4.29	1.98	1.92	1.82
DSCR with other income	10.00	8.94	18.94	10.92	5.03	3.07	1.96	0.98	0.55	0.90
DSCR without other income	7.03	7.55	15.83	8.76	4.22	2.60	1.63	0.71	0.41	0.75
Operational (Volumetric) Indicators										
Clinker Production (% change wrt last year)	2.29	8.82	13.05	-2.17	-8.64	3.98	0.95	-20.19	18.71	-4.75
Cement Production (% change wrt last year)	5.86	3.67	14.99	-3.48	-1.07	0.68	-4.12	-14.91	26.60	-8.29
Total Sales (% change wrt last year)	7.42	1.25	14.63	-2.97	-0.80	-0.27	-3.52	-15.14	27.34	-8.95
Local Sales (% change wrt last year)	11.74	4.98	16.09	8.16	2.32	4.42	-3.33	-30.29	44.96	-20.74
Exports Sales (% change wrt last year)	-21.43	-18.15	7.60	-35.19	-8.85	-10.61	-3.94	62.07	-21.36	54.69
Clinker Production Utilisation (%)	109.79	107.33	98.63	87.24	89.18	97.61	93.88	93.00	116.53	98.16
Cement Production Utilisation (%)	115.09	108.72	104.87	91.20	94.49	95.52	94.87	98.95	116.29	91.86
Total Sales Utilisation (%)	113.96	106.09	104.78	91.40	94.20	94.96	95.21	98.69	116.30	91.33
Local Sales Utilisation (%)	103.11	92.28	87.90	75.72	70.01	68.42	65.52	67.78	97.22	67.07
Exports Sales Utilisation (%)	10.85	13.81	16.88	15.68	24.20	26.54	29.69	30.91	19.07	24.26
Local to Total Sales wrt Qty (%)	90.48	86.98	83.89	82.84	74.31	72.05	68.81	68.68	83.60	73.44
Exports to Total Sales wrt Qty (%)	9.52	13.02	16.11	17.16	25.69	27.95	31.19	31.32	16.40	26.56

Vertical Analysis of Balance Sheet (%)

	FY18	FY17	FY16	FY15	FY14	FY13
						(Re-stated)
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Issued, subscribed and paid up capital 438,119,118 (2013: 438,119,118) ordinary shares of Rs 10 each	3.59	4.04	5.25	5.89	5.98	6.90
Reserves	28.52	35.08	41.04	50.26	58.28	53.18
Accumulated profit	31.17	29.96	32.56	27.59	19.69	15.41
	63.28	69.09	78.86	83.74	83.94	75.49
NON-CURRENT LIABILITIES						
Long term finances - secured	14.55	11.55	2.88	0.96	1.80	4.56
Long term deposits	0.09	0.07	0.09	0.10	0.09	0.10
Retirement and other benefits	0.23	0.17	0.13	0.18	0.27	0.24
Deferred taxation	3.35	5.41	5.98	6.17	5.78	4.95
	18.21	17.21	9.08	7.41	7.95	9.86
CURRENT LIABILITIES						
Trade and other payables	6.25	5.03	6.43	5.44	3.38	3.60
Accrued finance cost	0.29	0.20	0.06	0.04	0.08	0.20
Short term borrowings - secured	10.02	7.91	4.14	2.45	3.48	8.53
Current portion of non-current liabilities	1.92	0.48	1.38	0.87	1.10	2.27
Derivative financial instrument	-	0.04	-	-	0.02	-
Provision for taxation	0.03	0.03	0.04	0.05	0.05	0.06
	18.50	13.70	12.06	8.85	8.11	14.65
	100.00	100.00	100.00	100.00	100.00	100.00
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	62.76	57.62	47.44	40.27	40.71	45.55
Intangible assets	-	-	-	0.02	0.05	0.09
Investments	13.34	17.13	15.52	17.37	15.36	13.62
Long term loans and deposits	0.05	0.05	0.07	0.09	0.12	0.15
	76.15	74.81	63.04	57.76	56.24	59.40
CURRENT ASSETS						
Stores, spare parts and loose tools	4.20	4.56	4.80	4.89	5.03	6.16
Stock-in-trade	1.13	1.07	0.92	1.60	1.84	2.62
Trade debts	0.15	0.20	0.24	0.21	0.23	0.43
Investments	13.14	15.73	21.36	33.41	33.30	28.12
Advances, deposits, prepayments and other receivables	2.16	1.83	0.70	0.87	1.04	0.96
Loan to related party	0.82	0.92				
Income tax receivable	1.86	0.48	0.52	0.91	0.52	1.57
Derivative financial instrument	-	-	0.02	0.01	-	0.00
Cash and bank balances	0.38	0.39	8.40	0.35	1.79	0.74
	23.85	25.19	36.96	42.24	43.76	40.60
	100.00	100.00	100.00	100.00	100.00	100.00

Vertical Analysis of Profit and Loss Account (%)

	FY18	FY17	FY16	FY15	FY14	FY13
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of sales	-71.50	-60.70	-57.35	-63.78	-65.12	-62.57
Gross profit	28.50	39.30	42.65	36.22	34.88	37.43
Administrative expenses	-2.04	-1.83	-1.93	-1.81	-1.81	-1.63
Selling and distribution expenses	-2.93	-3.25	-3.20	-2.86	-5.44	-7.03
Other operating expenses	-7.68	-2.96	-3.08	-2.79	-1.95	-2.19
Other income	9.87	7.03	8.01	8.89	6.21	5.88
Profit from operations	25.72	38.30	42.46	37.65	31.87	32.47
Finance cost	-1.69	-1.27	-0.44	-1.08	-2.29	-3.99
Profit before taxation	24.03	37.03	42.02	36.57	29.58	28.48
Taxation	4.79	-10.56	-12.43	-7.36	-7.11	-6.40
Profit after taxation	28.82	26.46	29.59	29.21	22.48	22.08

Horizontal Analysis of Balance Sheet (YoY) (%)

	FY18	FY17	FY16	FY15	FY14	FY13
						(Re-stated)
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Issued, subscribed and paid up capital	4,381,191	4,381,191	4,381,191	4,381,191	4,381,191	4,381,191
	-	-	-	-	-	-
Reserves	34,761,625	38,014,337	34,238,885	37,387,772	42,705,394	33,785,204
	-8.56	11.03	-8.42	-12.45	26.40	43.38
Accumulated profit	37,991,605	32,473,351	27,163,353	20,527,108	14,429,950	9,790,403
	16.99	19.55	32.33	42.25	47.39	97.56
	77,134,421	74,868,879	65,783,429	62,296,071	61,516,535	47,956,798
	3.03	13.81	5.60	1.27	28.27	45.77
NON-CURRENT LIABILITIES						
Long term finances - secured	17,730,324	12,520,000	2,400,000	714,261	1,321,009	2,899,187
	41.62	421.67	236.01	-45.93	-54.44	-37.37
Long term deposits	109,726	79,441	77,813	72,003	68,970	65,383
	38.12	2.09	8.07	4.40	5.49	-4.35
Retirement and other benefits	278,379	186,837	111,334	137,585	200,187	153,020
	49.00	67.82	-19.08	-31.27	30.82	-34.32
Deferred taxation	4,082,974	5,866,359	4,989,055	4,588,047	4,234,805	3,144,738
	-30.40	17.58	8.74	8.34	34.66	90.67
	22,201,403	18,652,637	7,578,202	5,511,896	5,824,971	6,262,328
	19.03	146.14	37.49	-5.37	-6.98	-4.82
CURRENT LIABILITIES						
Trade and other payables	7,623,646	5,454,447	5,366,340	4,048,079	2,476,304	2,286,351
	39.77	1.64	32.57	63.47	8.31	8.41
Accrued finance cost	347,880	217,204	52,931	27,304	59,417	125,830
	60.16	310.35	93.86	-54.05	-52.78	-22.77
Short term borrowings - secured	12,209,667	8,571,228	3,451,352	1,826,072	2,551,676	5,420,290
	42.45	148.34	89.00	-28.44	-52.92	-19.50
Current portion of non-current liabilities	2,336,910	523,778	1,150,921	646,931	803,174	1,440,032
	346.16	-54.49	77.90	-19.45	-44.23	-33.50
Derivative financial instrument	-	48,056	-	-	14,902	-
	-	-	-	-	100.00	-
Provision for taxation	35,090	35,090	35,090	35,090	35,090	35,090
	-	-	-	-	-	-
	22,553,193	14,849,803	10,056,634	6,583,476	5,940,563	9,307,593
	51.88	47.66	52.76	10.82	-36.18	-16.94
	121,889,017	108,371,319	83,418,265	74,391,443	73,282,069	63,526,719
	12.47	29.91	12.13	1.51	15.36	25.34
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	76,493,984	62,447,737	39,576,830	29,958,970	29,832,625	28,934,979
	22.49	57.79	32.10	0.42	3.10	5.75
Intangible assets	-	-	-	18,452	36,904	55,356
	-	-	-100.00	-50.00	-33.33	-25.00
Investments	16,259,564	18,564,054	12,947,976	12,918,182	11,258,370	8,650,860
	-12.41	43.37	0.23	14.74	30.14	77.82
Long term loans and deposits	59,843	58,844	57,938	69,497	85,544	95,535
	1.70	1.56	-16.63	-18.76	-10.46	-20.61
	92,813,391	81,070,635	52,582,744	42,965,101	41,213,443	37,736,730
	14.48	54.18	22.38	4.25	9.21	16.40
CURRENT ASSETS						
Stores, spare parts and loose tools	5,114,227	4,939,420	4,006,181	3,635,858	3,688,795	3,912,998
	3.54	23.29	10.19	-1.44	-5.73	-1.25
Stock-in-trade	1,377,596	1,162,914	766,633	1,188,376	1,348,742	1,661,721
	18.46	51.69	-35.49	-11.89	-18.83	74.07
Trade debts	188,293	220,182	201,574	156,899	168,769	273,535
	-14.48	9.23	28.47	-7.03	-38.30	-13.97
Investments	16,018,594	17,044,084	17,819,005	24,855,796	24,405,153	17,862,718
	-6.02	-4.35	-28.31	1.85	36.63	60.55
Advances, deposits, prepayments and other receivables	2,637,675	1,987,849	584,447	648,010	764,140	611,777
	32.69	240.12	-9.81	-15.20	24.90	-1.49
Loan to related party	1,000,000	1,000,000	-	-	-	-
	-	100	-	-	-	-
Income tax receivable	2,270,137	524,355	433,136	673,807	384,001	996,522
	332.94	21.06	-35.72	75.47	-61.47	16.55
Derivative financial instrument	-	-	14,701	9,873	-	1,837
	-	-	100.00	100.00	-100.00	100.00
Cash and bank balances	469,104	421,880	7,009,844	257,723	1,309,026	468,881
	11.19	-93.98	2,619.91	-80.31	179.18	9.44
	29,075,626	27,300,684	30,835,521	31,426,342	32,068,626	25,789,989
	6.50	-11.46	-1.88	-2.00	24.35	41.19
	121,889,017	108,371,319	83,418,265	74,391,443	73,282,069	63,526,719
	12.47	29.91	12.13	1.51	15.36	25.34

Horizontal Analysis of Profit & Loss Account (YoY) (%)

	FY18	FY17	FY16	FY15	FY14	FY13
Sales	30,668,428	30,136,165	29,703,758	26,104,611	26,542,509	24,915,924
	1.77	1.46	13.79	-1.65	6.53	8.57
Cost of sales	-21,928,207	-18,291,600	-17,035,566	-16,649,411	-17,284,941	-15,589,917
	19.88	7.37	2.32	-3.68	10.87	0.95
Gross profit	8,740,221	11,844,565	12,668,192	9,455,200	9,257,568	9,326,007
	-26.21	-6.50	33.98	2.13	-0.73	24.23
Administrative expenses	-624,725	-551,221	-572,780	-472,326	-480,468	-405,579
	13.33	-3.76	21.27	-1.69	18.46	51.50
Selling and distribution expenses	-898,156	-979,045	-949,628	-746,723	-1,445,225	-1,751,174
	-8.26	3.10	27.17	-48.33	-17.47	-20.51
Other operating expenses	-2,354,656	-891,513	-913,642	-727,805	-518,745	-544,806
	164.12	-2.42	25.53	40.30	-4.78	8.78
Other income	3,026,661	2,118,216	2,379,053	2,320,335	1,647,126	1,466,289
	42.89	-10.96	2.53	40.87	12.33	23.43
Profit from operations	7,889,345	11,541,002	12,611,195	9,828,681	8,460,256	8,090,737
	-31.64	-8.49	28.31	16.17	4.57	41.37
Finance cost	-519,267	-382,895	-130,451	-281,504	-608,859	-994,879
	35.62	193.52	-53.66	-53.77	-38.80	-40.45
Profit before taxation	7,370,078	11,158,107	12,480,744	9,547,177	7,851,397	7,095,858
	-33.95	-10.60	30.73	21.60	10.65	75.10
Taxation	1,467,530	-3,182,766	-3,691,072	-1,922,497	-1,885,899	-1,593,689
	146.11	-13.77	91.99	1.94	18.34	2,963.67
Profit after taxation	8,837,608	7,975,341	8,789,672	7,624,680	5,965,498	5,502,169
	10.81	-9.26	15.28	27.81	8.42	33.93

Value added Statement - Accrual Basis

	FY18 (Rupees in thousand)			FY17 (Rupees in thousand)		
Wealth Created						
Revenues:						
- Local sales	40,677,915			36,990,666		
- Exports	2,729,855	43,407,770	93%	3,394,074	40,384,740	95%
Income from other sources						
- Investment income	1,934,785			1,944,054		
- Other income	1,091,875	3,026,660	7%	174,162	2,118,216	5%
		46,434,430	100%		42,502,956	100%
Wealth Distributed						
Suppliers:						
- Against raw and packing materials	2,695,620			2,350,577		
- Against services	745,685			851,516		
- Against stores spares	2,430,672			1,789,517		
- Against fuels and other energy sources	12,087,955	17,959,932	39%	10,462,585	15,454,195	36%
Employees		2,580,766	6%		2,301,088	5%
Government:						
- Direct taxes	(1,619,387)			3,017,967		
- Indirect taxes	12,352,420			9,961,165		
- Other levies and duties	151,856	10,884,889	23%	164,799	13,143,931	31%
Providers of Capital:						
- Banks	519,267	519,267	1%	382,895	382,895	1%
Reinvested in business						
- Depreciation	2,304,248			2,061,810		
- Profit/ (loss) for the period	8,837,609	11,141,857	24%	7,975,342	10,037,152	24%
Other operating costs - Net		3,347,719	7%		1,183,695	3%
		46,434,430	100%		42,502,956	100%

Directors' Report

The directors of your Company 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, 2018 are:

PKR in thousands

	FY18	FY17
Sales	30,668,428	30,136,165
Cost of sales	(21,928,207)	(18,291,600)
Gross profit	8,740,221	11,844,565
Administrative expenses	(624,725)	(551,221)
Selling and distribution expenses	(898,156)	(979,045)
Other operating expenses	(2,354,656)	(891,513)
Other income	3,026,661	2,118,216
Finance cost	(519,267)	(382,895)
Profit before taxation	7,370,078	11,158,107
Taxation	1,467,530	(3,182,766)
Profit after taxation	8,837,608	7,975,341

Operational numbers of your company for the year are as under:
Figures in MT

	FY18	FY17
Production:		
Clinker	4,413,413	4,314,600
Cement	4,857,761	4,588,900
Sales:		
Total	4,810,250	4,478,065
Local (excludiing own consumption)	4,352,185	3,895,042
Exports	458,065	583,023
Clinker Sale	26,576	-
Clinker Purchase	39,997	-

Hub Plant

During the year FY18 the Company completely setup its, greenfield 9,000 tpd, plant at Hub and it became functional and operative in June 2018.

Appropriation

The Board keeping in view the profitability and capacity expansion requirements, decided to recommend dividend of PKR 4.25 per share for FY18.

(PKR in thousands)

PAT	PKR 8,837,608
Dividend	PKR 1,862,006

Earnings

Earnings Per Share of the Company is PKR 20.17 (FY17: PKR 18.20).

EPS increased by about 11%. Net sales increased by just 2% , other income up by 43%, while COGS got jump of 20%, finance cost moved upward by 36%. Gross profit and profit before tax declined by 26% and 34% respectively. Profit after tax increased by 11%.

GP margin was at 28% (FY17: 39%), PBT margin at 24% (FY17: 37%) and PAT margin registered at 29% (FY17: 26%).

COGS increased and GP decreased due to high coal prices, additional depreciation of new capitalisation and average cement price decline.

Volumes

The Company's clinker production increased by 2.3% (FY17: 8.82%). Total Cement Sales increased by 7.42% (FY17: 1.25%) with local sales increase of about 12% (FY17: 5%) and exports decrease of about 21% (FY17: -18%).

The Company utilization for FY18 remained at about 114% (FY17: 106%) against industrial utilization of 95% (FY17: 86%). Local sales utilization of the Company for FY18 was recorded at 103% (FY17: 92%) and for exports it was 11% (FY17: 14%).

Kilns operational days were around 993 (FY17: 958). Clinker production achieved level of 110% (FY17: 107%) while cement production touched the level of 115% (FY17: 109%).

Taxation

Current tax for the year is nil while deferred tax is credit PKR 1.4 billion. During the year, the current tax liability of the Company was offset by investment tax credit arising on the installation of plant at Hub entitled under the provisions of the Income Tax Ordinance, 2001.

Future Prospects

With new government at helm of affairs, multi social, political and economic challenges ahead and major developments at international scene are key takeaways to be kept an eye on.

Economic numbers of Pakistan are if not healthy but neither are incurable. We expect that there will be pressure on PKR and local interest rates. This will squeeze banking liquidity. Inflation will rise.

Going forward sales is expected to show a minor growth on yoy basis. Government plan for houses, dams construction and investment under CPEC are positive factors for cement demand while household sector will retain its major chunk. Prices are expected to remain range bound. Pressure may be seen on prices on account of upcoming expansions.

Company profitability could be compressed for expected inflationary pressure, coal prices, depressed exchange rate and cement price volatility. Furthermore, in the income statement financing cost would leap on backdrop of rising interest rates, spread and higher utilistaion of financing facilities. After operational start of Hub plant, the borrowing cost will be changing its flow to income statement.

Post Balance Sheet Events

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

Business Impact on Environment

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

Corporate Social Responsibility

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

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

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

Water Supply
- 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.

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.

During the year Company donated PKR 100 million to a hospital.

Principal Risks

Following are the principal risks the Company face:
- Tight price market and tough competition
- Capacity utilization
- Interest rate
- Foreign currency fluctuations
- Shrinking margins in exports market

Significant Changes

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

Directors

Following are the directors of the Company:

1.	Mrs. Naz Mansha (Chairperson)	Non-Executive
2.	Mr. Raza Mansha (CEO)	Executive
3.	Mr. Khalid Qadeer Qureshi	Non-Executive
4.	Mr. Farid Noor Ali Fazal	Executive
5.	Mr. Shehzad Ahmad Malik	Non-Executive
6.	Mr. Khalid Niaz Khawaja	Independent
7.	Mr. Mohammad Arif Hameed	Non-Executive

* Female Directors: 1
Male Directors: 6

Audit Committee

1.	Mr. Khalid Niaz Khawaja *(Member/Chairman)*	Independent Director
2.	Mr. Khalid Qadeer Qureshi *(Member)*	Non- Executive Director
3.	Mr. Mohammad Arif Hameed *(Member)*	Non- Executive Director

Human Resource & Remuneration (HR&R) Committee

1.	Mr. Khalid Niaz Khawaja *(Member/Chairman)*	Independent Director
2.	Mian Raza Mansha *(Member)*	Executive Director
3.	Mr. Khalid Qadeer Qureshi *(Member)*	Non- Executive Director

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.

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 Committees 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.

Compliance with Listed Companies (Code Of Corporate Governance) Regulations, 2017 (the Regulation)

The requirements of the Regulation relevant for the year ended June 30, 2018 have been adopted by the company and have been fully complied with. A Statement to this effect is annexed to the Report.

Corporate and Financial Reporting Framework

The Directors of your company state 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 followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;

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

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

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

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

(q) Cost of investments of the Provident Fund is PKR 1,269 million (FY17: PKR 1,058 million) and of Gratuity is PKR 322.696 million (FY17: PKR 322.696 million).

We are cordially thankful to our all customers, dealers, suppliers, lenders and other stakeholders. We appreciate all our employees and admire their untiring efforts for betterment of company.

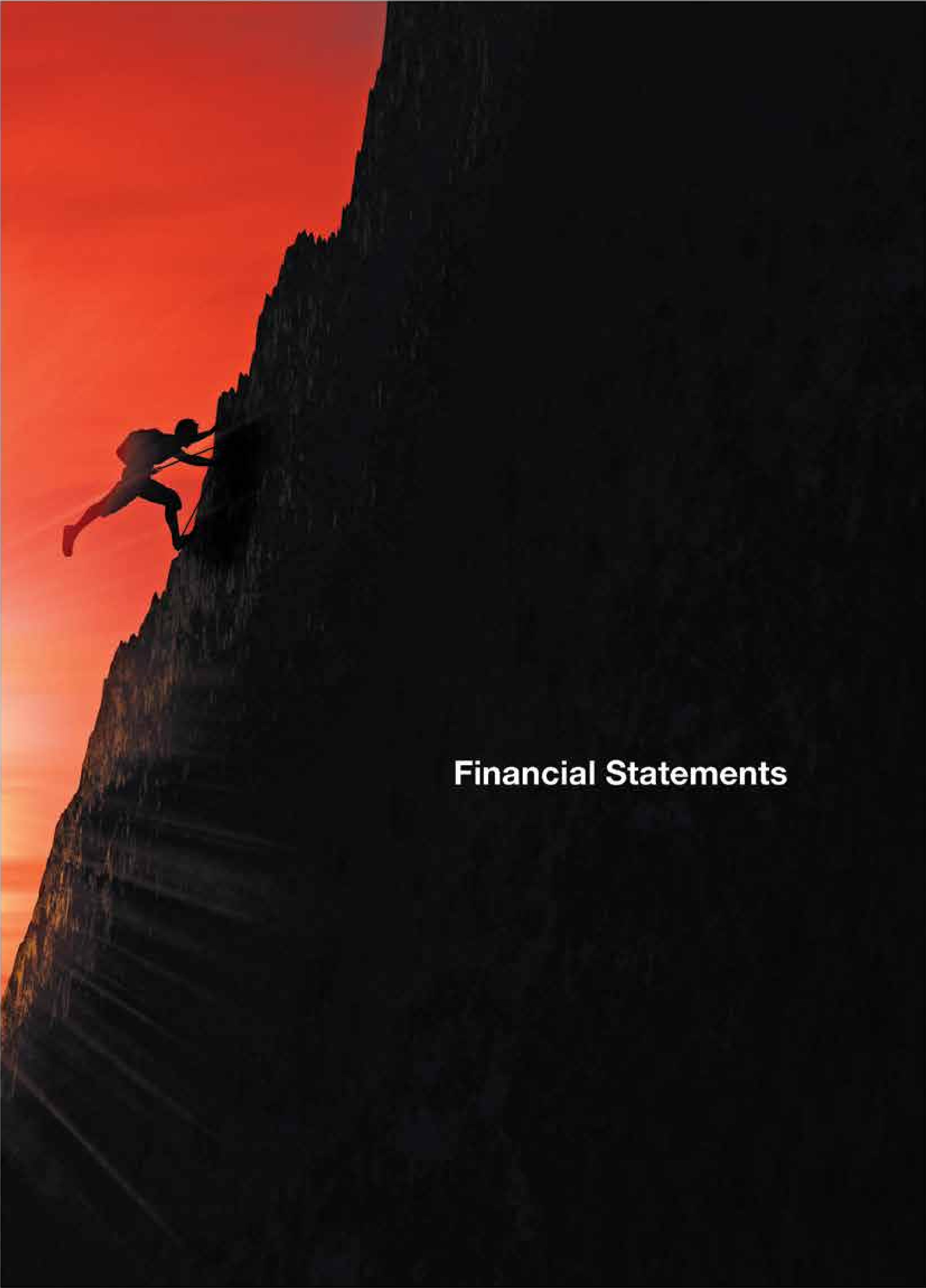
For and on behalf of the Board

Raza Mansha
Chief Executive Officer

Farid Noor Ali Fazal
Director

Lahore
September 19, 2018

Section - B



Financial Statements

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of D.G. Khan Cement Company Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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, 2018 and of the profit and other comprehensive income, 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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.	**Companies Act, 2017** *(Refer note 2.3 to the annexed financial statements)* The provisions of the Fourth Schedule to the Companies Act, 2017, became applicable to the Company for the first time in the preparation of the annexed financial statements. As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result, certain amendments and additional disclosures were made in the Company's annexed financial statements.	We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following: - Considered the management's process to identify the additional disclosures required in the Company's annexed financial statements; - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; and - Verified on test basis, the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.

Sr. No.	Key audit matters	How the matters were addressed in our audit
	In view of the additional disclosures in the annexed financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.	
2.	**Additions to Property, Plant and Equipment** *(Refer note 16.2 to the annexed financial statements)* The Company has incurred significant capital expenditure during the current year, which primarily comprises the expenditure on the fourth cement production facility in Hub, Balochistan, ('Hub project' or 'project') amounting to Rs 15,797.134 million. Further, the amount transferred to operating fixed assets during the year in respect of this is Rs 44,822.299 million. The incurrence of capital expenditure involves appropriateness of the production facility costs and determining which costs meet the criteria for capitalisation under the accounting and reporting standards. The installation of this project and commencement of its operations is a significant transaction during the year and involved management's judgement relating to capitalisation of costs as well as estimation of the useful lives of the amounts transferred to operating fixed assets. The matter is, therefore, considered as a key audit matter.	Our audit procedures included the following: - Assessed the design, implementation and operating effectiveness of key internal controls over the purchase and accounting of the assets comprising the new plant; - Tested the costs capitalised with the relevant underlying documentation; - Tested the implementation of accounting policies through a combination of controls testing, including Information Technology General Controls over property, plant and equipment accounting systems. Procedures included assessing the design, implementation and testing the operating effectiveness of controls in respect of the capitalization of assets and the identification of potential indicators of impairment; - Verified the capitalisation of borrowing costs based on the relevant criteria and compared interest rates to loan agreements, recalculating the interest capitalisation rate and assessing the calculation of interest capitalised in capital work-in-progress; - Assessed the nature of capitalised costs to ensure whether assets capitalised meet the recognition criteria set out in International Accounting Standard - 16 "Property, Plant and Equipment"; - Inspected contracts and underlying invoices/bills to ensure the classification between capital and operating expenditure was appropriate. We tested a sample of capital accruals to assess the existence of the costs being capitalized; - Considered whether capitalisation of assets ceased when the assets are in the location and condition necessary for it to be capable of operating in the manner intended by the management; - Challenged the useful economic lives and residual values assigned with reference to the Company's historical experience, assessment by the technical team of engineers, our understanding of the future utilisation of assets by the Company and by reference to the depreciation policies applied by third parties operating similar assets;

Sr. No.	Key audit matters	How the matters were addressed in our audit
		- Visited the project's location to physically inspect the existence and operation of new plant; and - Reviewed the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.
3.	**Impairment of Property, Plant and Equipment** *(Refer note 16.1.4 to the annexed financial statements)* The Company has a Waste Heat to Energy Power Plant (the 'Plant') installed at Khairpur, District Chakwal, Punjab that had a carrying amount of Rs 2,000.058 million before impairment. The Plant's failure to achieve ideal performance parameters indicated that it may be impaired. Consequently, the Company carried out an impairment test of the Plant wherein it determined the recoverable amount of the Plant of Rs 729.938 million based on higher of 'fair value less costs of disposal' and 'value in use'. Resultantly, the recoverable amount was determined to be lower than its carrying amount and the Company has recognised an impairment loss of Rs 1,270.120 million in the statement of profit or loss for the year. Management involved an expert (professional valuer) to determine the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. Both valuations involve a number of estimation techniques and management's judgement. Furthermore, as a result of its underperformance, the Plant supplier, FLSmidth A/S, Denmark, has agreed to compensate the Company for an amount of USD 7.5 million (equivalent to Rs 910.5 million translated on the exchange rate at the reporting date) that has been recognised as 'Other income' in the statement of profit or loss for the year. The above represents a significant event and a high level of judgment and estimation is required to assess the recoverable amount of the aforementioned asset. Therefore, we consider the matter to be a key audit matter.	Our audit procedures included the following: - - Reviewed the presence and magnitude of impairment indicators of the relevant assets; - Obtained an understanding of the work performed by the management's expert for determining the fair value less costs of disposal; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Involved our own expert to assess the work of management's expert after examining the professional qualification of our expert and assessing the independence, competence and experience of our expert in the field; - Our expert agreed with the 'fair value less costs of disposal' determined by the management's expert; - For value in use, we evaluated cash flow forecasts and the process by which they were determined and approved, including confirming the mathematical accuracy of the underlying calculations; - Compared the cash flows used against the understanding we obtained about the business areas through our audit, and assessed if these cash flows were reasonable; - Obtained corroborating evidence relating to the value as determined by the management by challenging key assumptions used in the cash flow forecast by comparing them with available market information; - Inspected the settlement agreement between the Plant supplier and the Company; - Checked subsequent cash receipt of the compensation as per the settlement agreement; and - Reviewed the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

Sr. No.	Key audit matters	How the matters were addressed in our audit
4.	**Investment measured at fair value** *(Refer note 17.1.3 to the annexed financial statements)* The Company holds an investment of 10.42% shareholding of Nishat Hotels and Properties Limited ('NHPL') which it carries at a fair value of Rs 3,242.17 million at June 30, 2018. It has recognised a loss of Rs 1,258.83 million during the year in Other Comprehensive Income on the re-measurement of fair value at June 30, 2018. Due to NHPL being a non-listed company, its share does not have a quoted price in an active market. Therefore, fair value of the share is determined through appropriate valuation methodology based on discounted cash flow method. This involves a number of estimation techniques and management's judgement to obtain reasonable expected future cash flows of NHPL's business and related discount rate. Management involves an expert to perform this valuation on its behalf. Due to the significant level of judgment and estimation required to determine the fair value of the investment, we consider it to be a key audit matter.	Our audit procedures included the following: - Obtained the discounted cash flow model ('model') and checked the mathematical accuracy of the computations; - Obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the managem ent's expert in the field; - Considered our own competence and experience to assess the work of management's expert; - Understood and evaluated the process by which the cash flow forecast was prepared and approved, including confirming the mathematical accuracy of the underlying calculations; - Evaluated the cash flow forecast by obtaining an understanding of NHPL's business and assessed that these cash flows were reasonable; - Obtained corroborating evidence relating to the value as determined by the management's expert by challenging key assumptions for the growth rates in the cash flow forecast by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; - Assessed whether the assumptions used were in line with other market participants and reflected the particular status of the investment shareholding; - Performed sensitivity analysis around these assumptions to ascertain the extent of change individually in the value of the investment; - The work of management's expert was found to be free from bias and was reasonable; and - Reviewed the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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.

Chartered Accountants
Lahore,
Dated: September 19, 2018

Statement of Financial Position

	Note	2018	2017
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
- 950,000,000 (2017: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2017: 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 (2017: 438,119,118) ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Reserves	6	34,761,625	38,014,337
Revenue Reserve: Un-appropriated profit		37,991,605	32,473,351
		77,134,421	74,868,879
NON-CURRENT LIABILITIES			
Long term finances - secured	7	17,730,324	12,520,000
Long term deposits	8	109,726	79,441
Deferred liabilities	9	278,379	186,837
Deferred taxation	10	4,082,974	5,866,359
		22,201,403	18,652,637
CURRENT LIABILITIES			
Trade and other payables	11	7,595,299	5,432,198
Accrued finance cost	12	347,880	217,121
Short term borrowings - secured	13	12,209,667	8,571,228
Current portion of non-current liabilities	14	2,336,910	523,778
Derivative financial instrument		-	48,056
Unclaimed dividend		28,347	22,332
Provision for taxation		35,090	35,090
		22,553,193	14,849,803
CONTINGENCIES AND COMMITMENTS	15		
		121,889,017	108,371,319

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

As At June 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	76,493,984	62,447,737
Investments	17	16,259,564	18,564,054
Long term loans to employees	18	574	1,008
Long term deposits		59,269	57,836
		92,813,391	81,070,635
CURRENT ASSETS			
Stores, spare parts and loose tools	19	5,114,227	4,939,420
Stock-in-trade	20	1,377,596	1,162,914
Trade debts	21	188,293	220,182
Investments	22	16,018,594	17,044,084
Loans, advances, deposits, prepayments and other receivables	23	2,637,675	1,987,849
Loan to related party	24	1,000,000	1,000,000
Income tax receivable		2,270,137	524,355
Cash and bank balances	25	469,104	421,880
		29,075,626	27,300,684
		121,889,017	108,371,319

Chief Financial Officer

Director

Statement of Profit or Loss
for the Year Ended June 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Sales	26	30,668,428	30,136,165
Cost of sales	27	(21,928,207)	(18,291,600)
Gross profit		8,740,221	11,844,565
Administrative expenses	28	(624,725)	(551,221)
Selling and distribution expenses	29	(898,156)	(979,045)
Other expenses	30	(2,354,656)	(891,513)
Other income	31	3,026,661	2,118,216
Finance cost	32	(519,267)	(382,895)
Profit before taxation		7,370,078	11,158,107
Taxation	33	1,467,530	(3,182,766)
Profit for the year		8,837,608	7,975,341
Earnings per share - basic and diluted (in Rupees)	34	20.17	18.20

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive	Chief Financial Officer	Director

Statement of Comprehensive Income
for the Year Ended June 30, 2018

	2018	2017
	(Rupees in thousand)	
Profit for the year	8,837,608	7,975,341
Other comprehensive (loss)/income for the year - net of tax		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale investments	(3,620,030)	4,565,737
Tax effect of change in fair value of available-for-sale investments	367,318	(787,725)
Gain transferred to statement of profit or loss on derecognition of available-for-sale investment	-	(1,280)
	(3,252,712)	3,776,732
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of retirement benefits	(40,178)	(52,326)
Tax effect of remeasurement of retirement benefits	6,718	15,698
	(33,460)	(36,628)
Other comprehensive (loss)/income for the year	(3,286,172)	3,740,104
Total comprehensive income for the year	**5,551,436**	**11,715,445**

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

Statement of Cash Flows
for the Year Ended June 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	11,181,259	9,379,680
Finance cost paid		(388,508)	(218,706)
Retirement and other benefits paid		(54,032)	(38,988)
Income tax paid		(1,858,306)	(3,572,784)
Income tax refunded		-	326,498
Long term deposits - net		30,285	1,628
Net cash inflow from operating activities		8,910,698	5,877,328
Cash flows from investing activities			
Fixed capital expenditure		(17,816,476)	(24,947,189)
Proceeds from disposal of property, plant and equipment		34,615	23,334
Long term loans, advances and deposits - net		(999)	(906)
Investment in equity instruments		(290,050)	(278,193)
Loan to related party		-	(1,000,000)
Sale proceeds from disposal of investments		-	1,493
Interest received		67,334	33,688
Dividend received		1,934,785	1,944,054
Cash surrendered in respect of tax losses purchased from subsidiaries		-	(206,500)
Net cash outflow from investing activities		(16,070,791)	(24,430,219)
Cash flows from financing activities			
Proceeds from long term finances		7,853,805	11,320,000
Settlement of derivative financial instrument		(35,077)	9,051
Repayment of long term finances		(833,334)	(1,838,892)
Dividend paid		(3,279,879)	(2,628,715)
Net cash inflow from financing activities		3,705,515	6,861,444
Net decrease in cash and cash equivalents		(3,454,578)	(11,691,447)
Cash and cash equivalents at the beginning of the year		(8,149,348)	3,558,492
Exchange losses on cash and cash equivalents		(136,637)	(16,393)
Cash and cash equivalents at the end of the year	37	(11,740,563)	(8,149,348)

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

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive | Chief Financial Officer | Director

Statement of Changes in Equity
for the Year Ended June 30, 2018

		Capital Reserves			Revenue Reserves		
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Un-Appropriated Profit	Total
	Rupees in thousand						
Balance as on July 1, 2016	4,381,191	4,557,163	24,256,385	353,510	5,071,827	27,163,353	65,783,429
Total comprehensive (loss) / income for the year							
- Profit for the year	-	-	-	-	-	7,975,341	7,975,341
- Other comprehensive (loss)/income for the year							
- Changes in fair value of available-for-sale investments - net of tax	-	-	3,776,732	-	-	-	3,776,732
- Gain transferred to statement of profit or loss on derecognition of available-for-sale investment	-	-	(1,280)	-	-	-	(1,280)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(36,628)	(36,628)
	-	-	3,775,452	-	-	7,938,713	11,714,165
Transactions with owners in their capacity as owners recognised directly in equity							
Final dividend for the year ended June 30, 2016 (Rs 6 per share)	-	-	-	-	-	(2,628,715)	(2,628,715)
Balance as on June 30, 2017	4,381,191	4,557,163	28,031,837	353,510	5,071,827	32,473,351	74,868,879
Total comprehensive (loss) / income for the year							
- Profit for the year	-	-	-	-	-	8,837,608	8,837,608
- Other comprehensive (loss)/income for the year							
- Changes in fair value of available-for-sale investments - net of tax	-	-	(3,252,712)	-	-	-	(3,252,712)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(33,460)	(33,460)
	-	-	(3,252,712)	-	-	8,804,148	5,551,436
Transactions with owners in their capacity as owners recognised directly in equity							
Final dividend for the year ended June 30, 2017 (Rs 7.5 per share)	-	-	-	-	-	(3,285,894)	(3,285,894)
Balance as on June 30, 2018	4,381,191	4,557,163	24,779,125	353,510	5,071,827	37,991,605	77,134,421

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

Notes to and Forming Part of the Financial Statements
for the Year Ended June 30, 2018

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

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

These financial statements are the separate financial statements of the Company. Consolidated financial statements are prepared seperately.

2. Basis of preparation

2.1 Statement of compliance

These 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 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, 2017 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 financial statements, except for the following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company has given the required disclosure in these financial statements.

- IAS 12 ‘Income taxes’ (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company’s current accounting treatment is already in line with the requirements of this standard.

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, 2018, 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 financial statements, except for the following:

- IFRS 9, ‘Financial instruments’: (effective for periods beginning on or after January 1, 2018). This standard has been notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, ‘Financial instruments: Recognition and measurement’. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of the standard.

- IFRS 15, ‘Revenue from contracts with customers’: (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, ‘Revenue’, and IAS 11, ‘Construction contracts’, and related interpretations. It is unlikely that the application of the standard will have any significant impact on the Company's financial statements.

- IFRS 16, ‘Leases’: (effective for periods beginning on or after January 1, 2019). This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in 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 is yet to assess the full impact of this standard.

- IFRIC 22, ‘Foreign currency transactions and advance consideration’ (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Company is yet to assess the full impact of the interpretation.

- IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

2.3 Changes due to Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of the Company's financial statements. These changes also include change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- Elimination of duplicative disclosures with the IFRS disclosure requirements; and

- Incorporation of significant additional disclosures.

In view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements.

3. Basis of measurement

3.1 These 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 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates, which have been explained as follows:

a) Provision for taxation - notes 4.2 and 33

b) Employee benefits - notes 4.3 and 9

c) Useful lives and residual values of property, plant and equipment - notes 4.6 and 16.1

d) Fair value of unquoted available-for-sale investments - note 4.9

e) Impairment testing of investment in subsidiaries - note 4.9

a) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

b) Employee benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations and accumulated compensated absences. The valuation is based on the assumptions as mentioned in note 4.3.

c) Useful lives and residual values of property plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

d) Fair value of unquoted available-for-sale investments

Fair value of unquoted investments is determined by using valuation techniques. The Company uses its judgment to select an appropriate method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company has used discounted cash flow analysis for this purpose as fully explained in note 17 to these financial statements.

e) Impairment testing of investment in subsidiaries

At each reporting date, the Company reviews the carrying amounts of the investments in subsidiaries 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 investments is adjusted to the extent of impairment loss.

3.3 Change in accounting estimate

During the year, as a result of review of the useful lives of the Company's property, plant and equipment, management identified an asset i.e. Waste Heat to Energy Power Plant at Khairpur, Chakwal plant site, which required a downward revision in its useful life. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Had there been no change in the accounting estimate, the profit before tax for the year ended June 30, 2018 would have been higher by Rs 1,259.140 million and carrying value of property, plant and equipment as at that date would have been higher by Rs 1,259.140 million. Consequently, due to the above change in accounting estimate, future profits before tax would increase by Rs 1,259.140 million.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these 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 recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the statement of profit or loss over the period or loss of the borrowings on an effective interest rate basis.

Preference shares, which are mandatorily redeemable on a specific date at the option of the Company, are classified as liabilities. The dividend on these preference shares is recognised in the statement of profit orloss as finance cost.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

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

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 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 the differences reverse based on the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial postion 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 one year for workers. Provisions are made in the 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, 2018 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	9.00% p.a.
Expected increase in eligible salary level	8.00% 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 90 days in case of officers. Any balance in excess of 90 days can be encashed up to 17 days a year only. Any further unutilised leaves lapse. In case of workers, unutilised leaves may be accumulated without any limit, 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, 2018 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	9.00% p.a.
Expected rate of increase in salary level per annum	8.00% p.a.
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)
Duration of the plan (years)	8

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 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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

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, gains and losses transferred from equity on qualifying cash flow hedges and borrowing costs as referred to in note 4.17.

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 as at June 30, 2018 has not required any adjustment except as mentioned in note 3.3.

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:

4.8.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.9 Investments

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

Investments in equity instruments of subsidiaries

Investment in equity instruments of subsidiaries are measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investments 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 investments is adjusted to the extent of impairment loss. Impairment losses are recognised as an expense in the statement of profit or loss.

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

These 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). It excludes borrowing cost.

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 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 in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets, if expected to be settled within twelve months, otherwise they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits and other receivables and cash and bank balances in the statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

4.12.2 Recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Company’s right to receive payments is established.

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. Impairment testing of trade debts and other receivables is described in note 4.13.

4.12.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

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.

4.12.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the 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.

4.13 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the statement of profit or loss. Trade debts, considered irrecoverable, are written off as and when identified. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

4.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, bank overdrafts, running finance under mark-up arrangements and short term loans which form an integral part of the Company's cash management.

4.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has not designated any derivatives as hedging instruments and accordingly, the changes in fair value re-measurement are recognised in the statement of profit or loss. Trading derivatives are classified as a current asset or liability.

4.16 Foreign currency transactions and translation

a) Transactions and balances

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

b) Functional and presentation currency

Items included in the 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.

4.17 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.

4.18 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

- Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

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

4.19 Dividend

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

4.20 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.

5. Issued, subscribed and paid up capital

2018	2017			2018	2017
(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 (2017: 137,574,201), 228,500 (2017: 228,500) and 3,358,344 (2017: 3,358,344) ordinary shares of the Company are held by the following related parties; Nishat Mills Limited (the 'Investor', Company being its associate under IAS 28), Security General Insurance Company Limited (group company), and Adamjee Insurance Company Limited (due to common directorship) 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. Reserves

Movement in and composition of reserves is as follows:

		2018	2017
		(Rupees in thousand)	
Capital reserves			
- Share premium	- note 6.1	4,557,163	4,557,163
- Fair value reserve	- note 6.2	24,779,125	28,031,837
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		29,689,798	32,942,510
Revenue reserve			
- General reserve		5,071,827	5,071,827
		34,761,625	38,014,337

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 investments at fair value and is not available for distribution. This amount shall be transferred to statement of profit or loss on realisation.

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

		2018	2017
		(Rupees in thousand)	
Long-term loans	- note 7.1	20,040,471	13,020,000
Current portion shown under current liabilities	- note 14	(2,310,147)	(500,000)
		17,730,324	12,520,000

7.1 Long term loans - secured

Lender	2018 (Rupees in thousand)	2017 (Rupees in thousand)	Rete of mark-up per annum	Number of instalments outstanding	Mark-up Payable
Local currency					
Loan 1 Standard Chartered Bank (Pakistan) Limited	1,666,666	-	* Base rate + 0.15%	10 quarterly equal instalments ending in December 2020	Quarterly
Loan 2 Bank Islami Pakistan Limited	450,000	650,000	* Base rate + 0.20%	9 quarterly equal instalments ending in September 2020	Quarterly
Loan 3 Habib Bank Limited	750,000	1,050,000	* Base rate + 0.25%	10 quarterly equal instalments ending in December 2020	Quarterly
Loan 4 The Bank of Punjab	500,000	500,000	** Base rate + 0.25%	10 equal semi-annual instalments ending in December 2023 with a grace period of 6 months	Half yearly
Loan 5 Habib Bank Limited	2,500,000	2,500,000	* Base rate + 0.20%	10 equal semi-annual instalments ending in December 2023 with a grace period of 6 months	Quarterly
Loan 6 Habib Bank Limited	2,499,805	1,730,000	* Base rate + 0.30%	10 equal semi-annual instalments ending in December 2023 with a grace period of 6 months	Quarterly
Loan 7 Bank Alfalah Limited	2,500,000	2,300,000	** Base rate + 0.25%	10 equal semi-annual instalments ending in September 2023 with a grace period of 3 months	Quarterly
Loan 8 National Bank of Pakistan	2,290,000	2,290,000	* Base rate + 0.25%	20 equal quarterly instalments ending in October 2023 with grace period of 3 months	Quarterly
Loan 9 Allied Bank Limited	5,884,000	2,000,000	* Base rate + 0.20%	18 equal quarterly instalments ending in July 2025 with a gace period of 14 months	Quarterly
Loan 10 National Bank of Pakistan -Islamic	1,000,000	-	** Base rate + 0.50%	10 equal semi-annual instalments ending in December 2024 with a grace period of 18 months	Half yearly
	20,042,489	13,022,017			

* 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

7.2 Security

Loan 1

The loan is secured by pari passu charge over present and future fixed assets of the Company amounting to Rs 2,666 million.

Loan 2

The loan is secured by joint pari passu charge over fixed assets of the Company amounting to Rs 1,000 million.

Loan 3

The loan is secured by first pari passu charge over existing and future fixed assets of the Company amounting to Rs 4,991 million.

Loan 4

The loan is secured by first pari passu charge over fixed assets of the Company amounting to Rs 667 million with 25% margin.

Loan 5

The loan is secured by first pari passu hypothecation charge amounting to Rs 3,333.34 million on existing and future fixed assets of the Company with 25% margin.

Loan 6

The loan is secured by first pari passu charge over existing and future fixed assets of the Company amounting to Rs 4,991 million to be enhanced to Rs 8,667 million.

Loan 7

The loan is secured by first pari passu charge over existing and future fixed assets of the Company amounting to Rs 3,533.333 million with 25% margin.

Loan 8

The loan is secured by first pari passu charge amounting to Rs 4,000 million over all present and future fixed assets of the Company excluding land and building related to plant at Khairpur.

Loan 9

The loan is secured by first pari passu charge by way of charge on all present and future fixed assets of the Company with 25% margin and by way of equitable mortgage on immovable fixed assets related to plant at D.G. Khan.

Loan 10

The loan is secured by first pari passu charge of Rs 1,334 million on all present and future fixed assets including land and building related to plant at D.G. Khan site inclusive of 25% margin.

		2018	2017
		(Rupees in thousand)	

7.3 The reconciliation of the carrying amount is as follows:

		2018	2017
Opening balance		13,020,000	3,538,251
Disbursements		7,853,805	11,320,000
Repayments during the year		(833,334)	(1,838,251)
	- note 7.1 and 7.2	20,040,471	13,020,000
Current portion shown under current liabilities	- note 14	(2,310,147)	(500,000)
		17,730,324	12,520,000

8. Long term deposits

	2018	2017
Customers	45,932	43,137
Others	63,794	36,304
	109,726	79,441

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.

		2018	2017
		(Rupees in thousand)	

9. Deferred liabilities

		2018	2017
Staff gratuity	- note 9.1	161,815	88,029
Accumulating compensated absences	- note 9.2	116,564	98,808
		278,379	186,837

9.1 Staff gratuity

The amounts recognised in the statement of financial position are as follows:

	2018	2017
Present value of defined benefit obligation	584,159	494,929
Fair value of plan assets	(422,344)	(406,900)
Liability as at June 30	161,815	88,029

9.1.1 Movement in net liability for staff gratuity

	2018	2017
Net liability as at beginning of the year	88,029	1,962
Current service cost	53,864	45,965
Net interest on defined benefit obligation	37,181	28,137
Return on plan assets during the year	(31,369)	(28,427)
	59,676	45,675
Total remeasurements for the year charged to other comprehensive income	40,178	52,326
Contributions made by the Company during the year	(26,068)	(11,934)
Net liability as at end of the year	161,815	88,029

	2018	2017
	(Rupees in thousand)	

9.1.2 Movement in present value of defined benefit obligation

	2018	2017
Present value of defined benefit obligation as at beginning of the year	494,929	404,923
Current service cost	53,864	45,965
Interest cost	37,181	28,137
Benefits paid during the year	(30,346)	(33,668)
Remeasurements:		
- Actuarial losses from changes in financial assumptions	1,176	405
- Experience adjustments	27,355	49,167
	28,531	49,572
Present value of defined benefit obligation as at end of the year	584,159	494,929

9.1.3 Movement in fair value of plan assets

	2018	2017
Fair value of plan assets as at beginning of the year	406,900	402,961
Interest income on plan assets	31,369	28,427
Contributions during the year	26,068	11,934
Benefits paid during the year	(30,346)	(33,668)
Remeasurements in fair value of plan assets	(11,647)	(2,754)
Fair value of plan assets as at end of the year	422,344	406,900

9.1.4 Plan assets

Plan assets are comprised as follows:

	2018		2017	
	(Rs in '000')	Percentage	(Rs in '000')	Percentage
Plan assets				
Cash and bank balances	520	0.12%	6,364	1.56%
Debt instruments	317,637	75.21%	338,372	83.16%
Deposits	104,186	24.67%	62,164	15.28%
	422,343	100.00%	406,900	100.00%

	2018	2017
	(Rupees in thousand)	

9.1.5 Charge for the year (including capitalised during the year)

	2018	2017
Current service cost	53,864	45,965
Interest cost	37,181	28,137
Interest income on plan assets	(31,369)	(28,427)
Total expense for the year	59,676	45,675
Expense capitalized during the year	(9,610)	(5,227)
Expense charged to statement of profit or loss	50,066	40,448

	2018	2017
	(Rupees in thousand)	

9.1.6 Total remeasurements charged to other comprehensive income

	2018	2017
Actuarial losses from changes in financial assumptions	1,176	405
Experience adjustments	27,355	49,167
	28,531	49,572
Remeasurements in plan assets, excluding interest income	11,647	2,754
Total remeasurements charged to other comprehensive income	40,178	52,326

9.1.7 Amounts for current period and previous four annual periods of the fair value of plan assets and present value of defined benefit obligation are as follows:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	584,159	494,929	404,923	352,380	273,597
Fair value of plan assets	(422,344)	(406,900)	(402,961)	(319,035)	(161,084)
Deficit	161,815	88,029	1,962	33,345	112,513
Experience adjustment arising on plan obligation	28,531	49,572	(862)	15,910	16,362
Experience adjustment arising on plan assets	(11,647)	(2,754)	52,237	30,157	(1,473)

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

		2018	2017
Discount rate	Per annum	9.00%	7.75%
Expected rate of increase in salary	Per annum	8.00%	6.75%
Rate of interest income on plan assets	Per annum	9.00%	7.75%
Duration of the plan	Number of years	8	8

9.1.9 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	541,133	633,923	634,462	539,906

9.1.10 The Company expects to pay Rs 82.253 million in contributions to defined benefit plan during the year ending June 30, 2019.

		2018	2017
		(Rupees in thousand)	

9.2 Accumulating compensated absences

		2018	2017
Opening liability		122,586	122,042
Charged to profit or loss		48,705	27,598
Payments made during the year		(27,964)	(27,054)
		143,327	122,586
Current portion shown under current liabilities	- note 14	(26,763)	(23,778)
Liability as at year end		116,564	98,808

9.2.1 Movement in liability for accumulating compensated absences

	2018	2017
Present value of accumulating compensated absences as at beginning of the year	122,586	122,042
Current service cost	26,838	24,249
Interest cost	8,417	7,867
Benefits paid during the year	(27,964)	(27,054)
Remeasurements:		
- Actuarial (gains)/losses from changes in demographic assumptions	-	-
- Actuarial (gains)/losses from changes in financial assumptions	-	-
- Experience adjustments	13,450	(4,518)
	13,450	(4,518)
Present value of accumulating compensated absences as at year end	143,327	122,586

9.2.2 Charge for the year (including capitalised during the year)

	2018	2017
Current service cost	26,838	24,249
Interest cost	8,417	7,867
Remeasurement during the year	13,450	(4,518)
Total expense for the year	48,705	27,598
Less: Expense capitalized during the year	(7,156)	(2,018)
Expense charged to the statement of profit or loss	41,549	25,580

9.2.3 Amounts for current period and previous four annual periods of the present value of accumulating compensated absences are as follows:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
As at June 30					
Present value of accumulated compensated absences	143,327	122,586	122,042	116,910	100,344
Experience adjustment arising on obligation	13,450	(4,518)	(2,180)	302	6,704

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

		2018	2017
Discount rate	Per annum	9.00%	7.75%
Expected rate of increase in salary	Per annum	8.00%	6.75%
Duration of the plan	Number of years	8	9
Expected withdrawal and early retirement rate		SLIC 2001-2005 mortality table	SLIC 2001-2005 mortality table

9.2.5 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	131,381	157,273	157,105	131,325

		2018	2017
		(Rupees in thousand)	
10. Deferred taxation			
The liability for deferred taxation comprises taxable/(deductible) temporary differences relating to:			
Deferred tax liability			
Accelerated tax depreciation		3,954,601	5,136,772
Un-realised gain on investments		420,407	787,725
Deferred tax asset			
Available tax credit		(220,406)	-
Provision for retirement and other benefits		(71,628)	(58,138)
		4,082,974	5,866,359
The gross movement in net deferred tax liability during the year is as follows:			
Opening balance		5,866,359	4,989,055
(Credited)/charged to other comprehensive income		(374,036)	772,027
(Credited)/charged to statement of profit or loss	- note 33	(1,409,349)	183,046
Losses purchased from subsidiary		-	(77,769)
Closing balance		4,082,974	5,866,359
11. Trade and other payables			
Trade creditors	- note 11.1	3,558,517	1,526,506
Infrastructure cess		89,164	89,164
Advances from customers		457,552	790,078
Accrued liabilities		2,644,698	1,985,080
Workers' profit participation fund	- note 11.2	396,000	603,957
Workers' welfare fund	- note 11.3	148,359	167,207
Withholding tax payable		9,299	8,002
Retention money payable		166,107	138,273
Export commission payable		69,484	78,680
Others		56,119	45,251
		7,595,299	5,432,198

		2018	2017
		(Rupees in thousand)	

11.1 Trade creditors include amounts due to following related parties:

		2018	2017
Nishat Paper Products Company Limited (Subsidiary)		239,602	107,645
Security General Insurance Company Limited (group company)		7,230	153
Adamjee Insurance Company Limited (due to common directorship)		-	9,161
Nishat Mills Limited (Investor)		65	-
Nishat Dairy (Private) Limited (Subsidiary)		80,613	96,442
		327,510	213,401

11.2 Workers' profit participation fund

		2018	2017
Opening balance		603,957	668,129
Provision for the year	- note 30	395,892	595,942
Interest for the year	- note 32	-	5,873
		999,849	1,269,944
Payments made during the year		(603,849)	(665,987)
Closing balance		396,000	603,957

11.3 Workers' welfare fund

		2018	2017
Opening balance		167,207	157,757
Provision for the year	- note 30	151,856	164,799
		319,063	322,556
Payments made during the year		(170,704)	(155,349)
Closing balance		148,359	167,207

12. Accrued finance cost

		2018	2017
Accrued mark-up on:			
- Long term loans - secured		211,924	168,971
- Short term borrowings - secured		135,956	48,150
		347,880	217,121

13. Short term borrowings - secured

		2018	2017
Short term running finances - secured	- note 13.1	7,992,976	5,318,329
Import finances - secured	- note 13.2	2,926,691	1,412,899
Export finances - secured	- note 13.3	1,290,000	1,840,000
		12,209,667	8,571,228

13.1 Short term running finances - secured

Short term running finances available from various commercial banks under mark up arrangements aggregate Rs 12,300 million (2017: Rs 10,170 million). The rates of mark up are based on KIBOR plus spread and range from 6.01% to 7.92% (2017: 6.02% to 7.08%) or part thereof on the balance outstanding. 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, book debts, investments and receivables.

13.2 Import finances - secured

The Company has obtained import finance facilities aggregating to Rs 7,800 million (2017: 6,050 million) from commercial banks. The rates of mark up based on KIBOR plus spread range from 6.13% to 6.56% (2017: 6.10% to 6.14%) and those based on LIBOR plus spread range from 1.35% to 2.50% (2017: 1.00% to 1.90%). 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, book debts, investments and receivables.

Of the aggregate facility of Rs 15,940 million (2017: Rs 15,852 million) for opening letters of credit and Rs 3,630 million (2017: Rs 2,100 million) for guarantees, the amount utilised as at June 30, 2018 was Rs 3,515 million (2017: Rs 1,563 million) and Rs 1,398 million (2017: Rs 1,066 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Company. Of the facility for guarantees, Rs 14.48 million (2017: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 25.2.

13.3 Export finances - secured

This represents export finance loans obtained from various commercial banks, which carry mark up based on rates notified by State Bank of Pakistan ranging from 2.25% to 2.35% (2017: 2.25% to 2.35%). These loans are obtained for a period of 180 days and are secured against pari passu hypothecation charge over current assets of the Company.

		2018	2017
		(Rupees in thousand)	
14. Current portion of non-current liabilities			
Long term finances	- note 7	2,310,147	500,000
Accumulating compensated absences	- note 9.2	26,763	23,778
		2,336,910	523,778

15. Contingencies and commitments

15.1 Contingencies

15.1.1 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.

15.1.2 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.

15.1.3 The Competition Commission of Pakistan ('the CCP') took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on 28 October 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 24 August 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 on January 2, 2018. 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.

15.1.4 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 to 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.

15.1.5 The Company, consequent to the order passed by the honourable Supreme Court of Pakistan against the decision of the Sindh High Court in the matter of infrastructure cess, filed a petition before the Sindh High Court, challenging the levy of seventh version of the law enforcing infrastructure cess. Earlier, the Sindh High Court, in August 2008, ruled out that only levies computed against consignments made on or after December 28, 2006 shall be payable by the petitioners. Although the parties have reached an interim arrangement, through an order of Sindh High Court dated May 31, 2011, for release of 50% of the guarantees, the final order from Sindh High Court is still pending. 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.

15.1.6 1The 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.

15.1.7 During the current year, the honorable Supreme Court of Pakistan, while taking notice of water shortage and environmental pollution in Kahoon Valley as well as depletion of water reserves at Katas Raj Pond, alleged that it is being caused by the cement companies operating in its vicinity, one of which is the Company itself (Khairpur, Chakwal plant). Resultantly, the honorable Supreme Court of Pakistan, vide its order dated May 08, 2018 and subsequent order dated July 10, 2018, directed cement companies in the vicinity to make alternate arrangement of water supply within six months to preserve underground water resources. In the meanwhile, as per the aforesaid order, Government of the Punjab ('GoPb') has been directed to charge the Company for usage of underground water by installing water meters that has not yet been done by GoPb. Subsequent to year end, the Company has furnished Bank Guarantee amounting to Rs 600 million dated July 10, 2018 in favour of honorable Supreme Court of Pakistan on its order that will be encashable by the GoPb if the alternate arrangements to preserve water resources have not been made within the prescribed period.

Company has taken immediate steps to make alternate arrangements such as rain water harvesting, reduction of water consumption by adopting conservation techniques, converting waste heat power generation through steam cycled with special design feature of air cool system. Progress on all alternate measures is satisfactory, rain water reservoir has been constructed and contract has been signed for the supply of air cool waste recovery system. No Objection Certificate (NOC) in respect of alternate arrangements has been obtained from Environment Protection Agency, GoPb.

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

- Collector of Customs, Excise and Sales Tax against levy of sales tax, custom duty and excise amounting to Rs 34.136 million (2017: Rs 36.186 million).

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 605.9 million (2017: Rs 575.9 million).

- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2017: Rs 3 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 (2017: 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 427.606 million (2017: Rs 427.606 million).

- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, D.G.

Khan) amounting to Rs 0.05 million (2017: Rs 0.05 million).

- Sindh High Court against levy of sales tax, custom duty and excise amounting to Rs 176.860 million (2017: 15.423 million).

- The Managing Director, Lahore Waste Management Company ('LWMC') against the performance of a contract amounting to Rs 5 million (2017: Rs 5 million).

- Export orders amounting to Rs 2.432 million (2017: Rs 2.097 million).

- K-Electric Limited against supply of electricity to Hub Plant amounting to Rs 142.4 million (2017: Nil).

15.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 224.277 million (2017: Rs 183.524 million).

(ii) Letters of credit for capital expenditure Rs 235.266 million (2017: Rs 773.728 million).

(iii) Letters of credit other than capital expenditure Rs 3,091.684 million (2017: Rs 876.794 million).

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

	2018	2017
	(Rupees in thousand)	
Not later than one year	331	331
Later than one year and not later than five years	1,325	1,325
Later than five years	4,307	4,645
	5,963	6,301

16. Property, plant and equipment

		2018	2017
Operating fixed assets	- note 16.1	73,434,283	30,987,739
Capital work-in-progress	- note 16.2	2,967,935	31,365,859
Major spare parts and stand-by equipment	- note 16.3	91,766	94,139
		76,493,984	62,447,737

16.1 Operating fixed assets

(Rupees in thousand)

	2018								
	Annual rate of depreciation %	Cost as at July 01, 2017	Additions/ (Deletions)	Cost as at 30 June 2018	Accumulated depreciation and impairment as at July 01, 2017	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Accumulated depreciation and impairment as at June 30, 2018	Book value as at June 30, 2018
Freehold land - note 16.1.2	-	1,579,214	175,361	1,754,575	-	-	-	-	1,754,575
Leasehold land	3.33	63,000	-	63,000	19,950	2,100	-	22,050	40,950
Buildings on freehold land									
- Factory building	10	7,972,967	12,251,170	19,966,566	4,128,733	482,926	106,507	4,633,229	15,333,337
			(257,571)			(84,937)			
- Office building and housing colony	5	1,293,894	1,411,901	2,705,795	403,872	52,771	-	456,643	2,249,152
Roads	10	638,731	827,897	1,454,061	371,091	34,112	-	400,847	1,053,214
			(12,567)			(4,356)			
Plant and machinery - note 16.1.4	3.33 to 60	36,735,703	26,516,470	63,252,173	13,935,177	1,443,324	1,163,613	16,542,114	46,710,059
Quarry equipment	20	2,070,128	1,876,865	3,946,993	1,447,245	111,474	-	1,558,719	2,388,274
Furniture and fittings	10	199,678	121,632	321,310	78,998	15,836	-	94,834	226,476
Office equipment	10	319,372	60,262	379,634	143,947	19,415	-	163,362	216,272
Vehicles	20	586,944	142,727	671,293	234,019	71,361	-	272,251	399,042
			(58,378)			(33,129)			
Aircraft	30	328,752	-	328,752	267,576	18,352	-	285,928	42,824
Power and water supply lines	10	558,858	2,849,253	3,397,912	328,894	52,578	-	377,804	3,020,108
			(10,199)			(3,668)			
		52,347,241	46,233,538	98,242,064	21,359,502	2,304,249	1,270,120	24,807,781	73,434,283
			(338,715)			(126,090)			

2017 (Rupees in thousand)

	Annual rate of depreciation %	Cost as at July 01, 2016	Additions/ (Deletions)	Cost as at 30 June 2017	Accumulated depreciation and impairment as at July 01, 2017	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Accumulated depreciation and impairment as at June 30, 2017	Book value as at June 30, 2017
Freehold land	-	1,550,871	28,343	1,579,214	-	-	-	-	1,579,214
Leasehold land	3.33	63,000	-	63,000	17,850	2,100	-	19,950	43,050
Buildings on freehold land									
- Factory building	10	7,833,970	138,997	7,972,967	3,709,253	419,480	-	4,128,733	3,844,234
- Office building and housing colony	5	1,264,694	29,200	1,293,894	358,045	45,827	-	403,872	890,022
Roads	10	578,342	60,389	638,731	342,996	28,095	-	371,091	267,640
Plant and machinery	3.33 to 9.02	35,922,819	824,927	36,735,703	12,619,228	1,320,159	-	13,935,177	22,800,526
			(12,043)			(4,210)			
Quarry equipment	20	2,054,031	16,097	2,070,128	1,344,503	102,742	-	1,447,245	622,883
Furniture and fittings	10	184,466	15,212	199,678	66,320	12,678	-	78,998	120,680
Office equipment	10	299,997	19,756	319,372	125,876	18,228	-	143,947	175,425
			(381)			(157)			
Vehicles	20	503,349	118,180	586,944	194,048	60,898	-	234,019	352,925
			(34,585)			(20,927)			
Aircraft	30	328,752	-	328,752	241,360	26,216	-	267,576	61,176
Power and water supply lines	10	545,691	13,167	558,858	303,506	25,388	-	328,894	229,964
		51,129,982	1,264,268	52,347,241	19,322,985	2,061,811	-	21,359,502	30,987,739
			(47,009)			(25,294)			

16.1.1 Freehold land and building include book values of Rs 12 million (2017: Rs 12 million) and Rs 5.220 million (2017: Rs 5.495 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.

16.1.2 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
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

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

		2018	2017
		(Rupees in thousand)	
Cost of sales	- note 27	2,231,103	1,983,431
Administrative expenses	- note 28	67,561	73,737
Selling and distribution expenses	- note 29	5,585	4,643
		2,304,249	2,061,811

16.1.4 **Impairment of plant and machinery**

The Company has a Waste Heat to Energy Power Plant (the 'WHEPP') installed at plant at Khairpur that had a carrying amount of Rs 2,000.058 million before impairment. The WHEPP's failure to achieve ideal performance parameters indicated that it may be impaired. Consequently, the Company carried out an impairment test of the WHEPP wherein it determined its recoverable amount to be Rs 729.938 million based on higher of 'fair value less costs of disposal' and 'value in use'. Resultantly, the recoverable amount was determined to be lower than its carrying amount and the Company has recognised an impairment loss of Rs 1,270.120 million in the statement of profit or loss for the year in 'Other expenses'. Management involved an expert (professional valuer) to determine the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. Furthermore, as a result of its underperformance, the WHEPP supplier, FLSmidth A/S, Denmark, through a settlement agreement, has agreed to compensate the company for an amount of USD 7.5 million (equivalent to Rs 910.5 million translated on the exchange rate at the reporting date) that has been recognised as 'Other income' in the statement of profit or loss for the year.

16.1.5 Disposal of operating fixed assets

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

		2018				(Rupees in thousand)
Particulars of assets	**Sold to**	**Cost**	**Book value**	**Sale proceeds**	**Gain / (Loss) on disposal**	**Mode of disposal**
Factory building	Demolished as no longer usable	257,571	172,634	-	(172,634)	Scrapped
Roads	-do-	12,567	8,211	-	(8,211)	Scrapped
Power and water supply lines	-do-	10,199	6,531	-	(6,531)	Scrapped
Vehicles	**Employee**					
	Khalid Chohan	2,469	1,309	1,825	516	Negotiation
	Outside parties					
	Muhammad Abbas	1,646	1,081	1,081	-	Auction
	Adnan Naseer	5,202	2,374	3,152	778	-do-
	Adnan Naseer	2,467	1,020	1,558	538	-do-
	Muhammad Saeed	2,467	955	1,877	922	-do-
	Waqqas Pasha	20,082	7,752	7,500	(252)	-do-
	Rafi-Ur-Rehman	1,971	1,203	1,221	18	-do-
	Muhammad Ansar Khan	1,524	528	1,338	810	-do-
	Adnan Naseer	5,202	2,374	3,052	678	-do-
	Khurram Imtiaz	1,758	819	1,436	617	-do-
	Security General Insurance Company Limited - related party (group company)	683	519	683	164	Insurance Claim
	Security General Insurance Company Limited - related party (group company)	2,222	2,155	2,172	17	-do-
	Items with net book value less than Rs 500,000	10,685	3,160	7,720	4,560	As per Company policy
	Total	338,715	212,625	34,615	(178,010)	

		2017				(Rupees in thousand)
Particulars of assets	**Sold to**	**Cost**	**Book value**	**Sale proceeds**	**Gain / (Loss) on disposal**	**Mode of disposal**
Plant and machinery	Retired as no longer usable	12,043	7,833	-	(7,833)	Scrapped
Office equipment						
	Items with net book value less than Rs 500,000	381	224	36	(188)	Auction
Vehicles	**Employees**					
	Iftikhar Baig	1,646	1,272	1,290	18	Negotiation
	Muhammad Rafi	1,793	503	1,133	630	-do-
	Items with net book value less than Rs 500,000	2,392	802	1,250	448	As per Company policy
	Outside parties					
	Nisar Ahmed	2,040	871	1,420	549	Auction
	Abid Ansar	1,454	525	1,176	651	-do-
	Muhammad Aslam	1,920	684	1,330	646	-do-
	Awais Ahmad Khan	5,399	1,342	1,400	58	-do-
	Muhammad Mohsin	1,495	611	1,363	752	-do-
	Faisal Mujeeb	2,467	1,052	1,800	748	-do-
	Muhammad Mohsin	1,461	573	1,368	795	-do-
	Security General Insurance Company Limited - related party (group company)	1,716	1,562	1,631	69	-do-
	Items with net book value less than Rs 500,000	10,802	3,861	8,137	4,276	As per Company policy
	Total	47,009	21,715	23,334	1,619	

16.2 Capital work-in-progress

2018 (Rupees in thousand)

	Balance as at July 1, 2017	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 - note 16.2.1	Balance as at June 30, 2018
Civil works	282,943	178,295	-	(1,359)	(894)	(232,686)	226,299
Plant and machinery	667,647	827,809	-	-	(403,279)	(335,434)	756,743
Advances to suppliers and contractors	202,416	191,305	-	-	(384,767)	-	8,954
Others	290	53,235	-	-	400	(53,925)	-
Expansion Project:							
- Civil works	7,807,172	1,763,150	-	-	1,130,982	(10,205,218)	496,086
- Plant and machinery	18,086,304	3,901,585	-	-	1,388,505	(23,071,631)	304,763
- Advances to suppliers and contractors	1,370,303	1,534,403	-	-	(1,729,616)	-	1,175,090
- Others	2,948,784	7,684,348	1,052,872	(139,223)	(1,331)	(11,545,450)	-
	30,212,563	14,883,485	1,052,872	(139,223)	788,540	(44,822,299)	1,975,939
	31,365,859	16,134,129	1,052,872	(140,582)	-	(45,444,344)	2,967,935

2017 (Rupees in thousand)

	Balance as at July 1, 2016	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	Balance as at June 30, 2017
Civil works	308,742	386,889	-	-	(146,467)	(266,221)	282,943
Plant and machinery	555,873	366,408	-	-	146,880	(401,514)	667,647
Advances to suppliers and contractors	30,699	289,897	-	-	-	(118,180)	202,416
Others	1,369	15,020	-	-	(268)	(15,831)	290
Expansion Project:							
- Civil works	1,985,126	5,838,897	-	-	(16,851)	-	7,807,172
- Plant and machinery	2,959,070	15,111,758	-	-	15,476	-	18,086,304
- Advances to suppliers and contractors	1,104,847	265,456	-	-	-	-	1,370,303
- Others	728,739	1,891,382	327,433	-	1,230	-	2,948,784
	6,777,782	23,107,493	327,433	-	(145)	-	30,212,563
	7,674,465	24,165,707	327,433	-	-	(801,746)	31,365,859

16.2.1 Transfers to operating fixed assets during the year mainly include the complete cement production facility and related assets installed at Hub, Balochistan. These assets were in the location and condition necessary for them to be capable of operating in the manner intended by management in June 2018.

		2018	2017
		(Rupees in thousand)	
16.3 Major spare parts and stand-by equipment			
The reconciliation of carrying amount is as follows:			
Balance at the beginning of the year		94,139	95,368
Additions during the year		609	200,207
		94,748	295,575
Transfers made during the year		(2,982)	(201,436)
Balance at the end of the year		91,766	94,139
17. Investments			
These represent the long term investments in:			
- Related parties	- note 17.1	16,095,394	18,425,370
- Others	- note 17.2	164,170	138,684
		16,259,564	18,564,054
17.1 Related Parties			
Subsidiaries - unquoted - at cost:			
Nishat Paper Products Company Limited			
25,595,398 (2017: 25,595,398) fully paid ordinary shares of Rs 10 each			
Equity held: 55% (2017: 55%)	- note 17.1.1	221,874	221,874
Nishat Dairy (Private) Limited			
270,000,000 (2017: 270,000,000) fully paid ordinary shares of Rs 10 each			
Equity held: 55.10% (2017: 55.10%)	- note 17.1.2	2,331,900	2,331,900
	sub-total	2,553,774	2,553,774
Available-for-sale - quoted:			
Nishat (Chunian) Limited			
7,173,982 (2017: 7,173,982) fully paid ordinary shares of Rs 10 each			
Equity held: 2.99% (2017: 2.99%)			
Cost - Rs 75.565 million (2017: Rs 75.565 million)		340,621	368,169
MCB Bank Limited			
21,305,315 (2017: 21,305,315) fully paid ordinary shares of Rs 10 each			
Equity held: 1.80% (2017: 1.91%)			
Cost - Rs 125.834 million (2017: Rs 125.834 million)		4,213,552	4,483,279

		2018	2017
		(Rupees in thousand)	
Adamjee Insurance Company Limited			
27,299,235 (2017: 25,055,735) fully paid ordinary shares of Rs 10 each			
Equity held: 7.78% (2017: 7.16%)			
Cost - Rs 1,335.479 million (2017: Rs 1,195.431 million)			
Cumulative impairment loss - Rs 118.703 million (2017: Rs 118.703 million)		1,326,881	1,712,810
Nishat Mills Limited			
30,289,501 (2017: 30,289,501) fully paid ordinary shares of Rs 10 each			
Equity held: 8.61% (2017: 8.61%)			
Cost - Rs 1,577.174 million (2017: Rs 1,577.174 million)			
Cumulative impairment loss - Rs 250.615 million (2017: Rs 250.615 million)		4,268,396	4,806,338
	sub-total	10,149,450	11,370,596
Available-for-sale - unquoted:			
Nishat Hotels and Properties Limited			
100,000,000 (2017: 100,000,000) fully paid ordinary shares of Rs 10 each			
Equity held: 10.42% (2017: 10.42%)			
Cost - Rs 1,000 million (2017: Rs 1,000 million)	- note 17.1.3	3,242,170	4,501,000
Hyundai Nishat Motor (Private) Limited			
15,000,000 (2017: Nil) fully paid ordinary shares of Rs 10 each			
Equity held: 10% (2017: Nil)			
Cost - Rs 150 million (2017: Nil)	- note 17.1.4	150,000	-
	sub-total	3,392,170	4,501,000
		16,095,394	18,425,370

17.1.1 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.

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

17.1.3 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of Nishat Emporium. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the company has estimated a fair value of Rs 32.42 per ordinary share as at June 30, 2018 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 42.3 to these financial statements. The fair value loss of Rs 1,258.830 million is included in the fair value loss recognised during the year in other comprehensive income.

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

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

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

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

- Discount rate of 9.41%.

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

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

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, 2018 would be Rs 811.488 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, 2018 would be Rs 542.901 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2018 would be Rs 34.852 million lower.

17.1.4 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited that is in the process of setting up a greenfield project for assembly and sales of Hyundai Motor Company passenger and commercial vehicles.

	2018	2017
	(Rupees in thousand)	
17.2 Others		
Available-for-sale:		
Pakistan Petroleum Limited - quoted		
595,382 (2017: 595,382) fully paid ordinary shares of Rs 10 each		
Equity held: 0.03% (2017: 0.03%)		
Cost - Rs 117.405 million (2017: Rs 117.405 million)	127,948	88,199
United Bank Limited - quoted		
214,354 (2017: 214,354) fully paid ordinary shares of Rs 10 each		
Equity held: 0.02% (2017: 0.02%)		
Cost - Rs 33.646 million (2017: Rs 33.646 million)	36,222	50,485
	164,170	138,684

	2018	2017
	(Rupees in thousand)	

17.3 Reconciliation of carrying amount

	2018	2017
Balance as at beginning of the year	18,564,054	12,947,976
Investments made during the year	290,050	278,193
	18,854,104	13,226,169
Fair value (loss)/gain recognized in other comprehensive income	(2,594,540)	5,339,377
	16,259,564	18,565,546
Derecognition of investment during the year	-	(1,492)
Balance as at end of the year	16,259,564	18,564,054

17.4 3,860,267 (2017: 3,860,267) shares of MCB Bank Limited are blocked in Central Depository Company ('CDC') account.

17.5 Investments in associated companies have been made in accordance with the requirements under the Companies Act, 2017.

18. 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.

19. Stores, spare parts and loose tools

	2018	2017
	(Rupees in thousand)	
Stores [including in transit: Rs 84.775 million (2017: Rs 196.426 million)]	1,789,863	1,871,079
Spare parts [including in transit Rs 103.451 million (2017: Rs 9.369 million)]	3,310,166	3,063,300
Loose tools	14,198	5,041
	5,114,227	4,939,420

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

20. Stock-in-trade

		2018	2017
		(Rupees in thousand)	
Raw materials	- note 20.1	277,283	173,568
Packing material [including in transit amounting to Nil] (2017: Rs 0.286 million)]		221,256	134,511
Work-in-process	- note 20.2	493,431	522,557
Finished goods	- note 20.3	385,626	332,278
		1,377,596	1,162,914

20.1 Includes raw meal costing Rs 62.83 million (2017: Nil) carried at its NRV amounting to Rs 48.98 million. The NRV write down expense of Rs 13.85 million has been charged to cost of sales.

20.2 Includes clinker costing Rs 138.06 million (2017: Nil) carried at its NRV amounting to Rs 5.63 million. The NRV write down expense of Rs 132.43 million has been charged to cost of sales.

20.3 Includes cement costing Rs 69.10 million (2017: Nil) carried at its NRV amounting to Rs 29.75 million. The NRV write down expense of Rs 39.35 million has been charged to cost of sales.

21. Trade debts - considered good

		2018	2017
		(Rupees in thousand)	
Secured	- note 21.1	181,777	195,041
Unsecured - Related parties	- note 21.2	6,516	25,141
		188,293	220,182

21.1 Includes receivable from foreign parties in the following jurisdictions against export sales:

Jurisdiction	Type of transaction	2018	2017
		(Rupees in thousand)	
India	Contract	111,055	154,674
India	Confirmed letter of credit	3,667	944
		114,722	155,617

21.2 Related parties

	2018	2017
Nishat Mills Limited (Investor)	5,619	23,075
Nishat Linen (Private) Limited (due to common directorship)	-	221
Nishat Hotels and Properties Limited (due to common directorship)	220	809
Nishat Hospitality (Private) Limited (group company)	537	537
Nishat (Chunian) Limited (group company)	42	430
Nishat Dairy (Private) Limited (Subsidiary)	98	69
	6,516	25,141

21.2.1 The maximum aggregate amount outstanding at the end of any month during the year was Rs 6.842 million (2017: Rs 24.596 million). Age analysis of the above receivables is disclosed in note 42.1.

22. This represents the following quoted investments in related parties (group companies):

		2018	2017
		(Rupees in thousand)	
Available-for-sale:			
Nishat (Chunian) Limited			
100,620 (2017: 100,620) fully paid ordinary shares of Rs 10 each			
Equity held: 0.042% (2017: 0.042%)			
Cost - Rs 0.832 million (2017: Rs 0.832 million)		4,777	5,164
MCB Bank Limited			
80,971,917 (2017: 80,971,917) fully paid ordinary shares of Rs 10 each			
Equity held: 7.27% (2017: 7.27%)			
Cost - Rs 478.234 million (2017: Rs 478.234 million)		16,013,817	17,038,920
		16,018,594	17,044,084

22.1 Reconciliation of carrying amount

	2018	2017
Opening balance	17,044,084	17,819,005
Fair value loss recognized in other comprehensive income	(1,025,491)	(774,921)
Closing balance	15,539,528	17,044,084

23. Loans, advances, deposits, prepayments and other receivables

		2018	2017
Current portion of loans to employees - considered good		1,336	1,509
Advances - considered good			
- To employees		10,151	6,123
- To suppliers		1,058,454	98,483
		1,068,605	104,606
Prepayments		14,223	19,203
Mark-up receivable from related party	- note 23.1	5,937	5,458
Letters of credit - margins, deposits, opening charges etc.		7,401	37,758
Balances with statutory authorities:			
- Sales tax	- note 23.2	589,891	1,447,711
- Excise duty		20,625	352,364
- Export rebate		10,534	18,234
		621,050	1,818,309
Other receivables		8,623	1,006
Compensation receivable	- note 31.3	910,500	-
		2,637,675	1,987,849

23.1 This represents mark-up receivable from Nishat Hotels and Properties Limited, a related party based on common directorship, on the loan referred to in note 24. The maximum aggregate amount outstanding at the end of any month during the year was Rs 6.016 million (2017: Rs 5.639 million). It was neither past due nor impaired.

23.2 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 15.

24. Loan to related party - considered good

This represents loan amounting to Rs 1,000 million to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The loan was disbursed in November 2016. The loan carries mark-up at the rate of 3 months KIBOR + 0.5% per annum, payable on a monthly basis. The entire amount of the loan is repayable on October 27, 2018. 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 6.78% per annum which is above the borrowing cost of the Company. In case of default in payment of principal or mark-up, the borrower shall be liable to pay additional sum equivalent to 7.5% per annum of respective amount of default. The loan and its terms were approved in the Annual General Meeting of the Company held on October 28, 2017 through a special resolution and requirements of the Companies Act, 2017 were complied.

25. Cash and bank balances

		2018	2017
		(Rupees in thousand)	
At banks:			
Savings accounts			
Local currency	- note 25.1 and 25.2	184,259	139,379
Foreign currency: US$ 290,246 (2017: US$ 93,360)		35,236	9,787
Current accounts		248,306	272,115
		467,801	421,281
In hand		1,303	599
		469,104	421,880

25.1 The balances in saving accounts bear mark-up at 2% to 3% per annum (2017: 2% to 3% per annum).

25.2 Included in balances at banks on saving accounts are Rs 14.480 million (2017: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 13.2.

26. Sales

		2018	2017
		(Rupees in thousand)	
Local sales		40,677,915	36,990,666
Export sales	- note 26.1	2,729,855	3,394,074
		43,407,770	40,384,740
Less:			
Sales tax		6,726,341	5,992,872
Excise duty		5,626,078	3,968,293
Commission to stockists and export agents		386,923	287,410
		12,739,342	10,248,575
		30,668,428	30,136,165

26.1 Export sales include rebate on exports amounting to Rs 13.050 million (2017: Rs 16.130 million).

		2018	2017
		(Rupees in thousand)	

27. Cost of sales

Raw and packing materials consumed		2,697,822	2,350,577
Salaries, wages and other benefits	- note 27.1	2,088,352	1,857,967
Electricity and gas		2,523,185	2,405,680
Furnace oil and coal		9,592,467	8,037,843
Stores and spares consumed		1,964,228	1,511,998
Repairs and maintenance		409,582	277,519
Insurance		54,149	54,262
Depreciation on operating fixed assets	- note 16.1.3	2,231,103	1,983,431
Royalty	- note 27.2	348,903	339,736
Excise duty		33,437	32,143
Vehicle running		33,959	28,883
Postage, telephone and telegram		4,195	4,866
Printing and stationery		11,283	10,452
Legal and professional charges		2,479	2,972
Travelling and conveyance		8,005	14,350
Plant cleaning and gardening expenses		35,077	33,946
Rent, rates and taxes		58,727	62,910
Freight charges		29,387	28,573
Other expenses		36,134	55,244
		22,162,474	19,093,352
Opening work-in-process	- note 20	522,557	166,940
Closing work-in-process	- note 20	(493,431)	(522,557)
		29,126	(355,617)
Cost of goods manufactured		22,191,600	18,737,735
Opening stock of finished goods	- note 20	332,278	185,342
Closing stock of finished goods	- note 20	(385,626)	(332,278)
		(53,348)	(146,936)
Own consumption		(210,045)	(299,199)
		21,928,207	18,291,600

27.1 Salaries, wages and other benefits include Rs 49.818 million (2017: Rs 43.670 million), Rs 36.859 million (2017: Rs 29.010 million) and Rs 30.595 million (2017: Rs 18.771 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and accumulating compensated absences as detailed below.

	2018	2017
	(Rupees in thousand)	

27.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

Gratuity		
Current service cost	33,270	29,195
Interest cost for the year	22,965	17,871
Interest income on plan assets	(19,376)	(18,056)
	36,859	29,010
Accumulating compensated absences		
Current service cost	16,859	16,492
Interest cost for the year	5,287	5,351
Remeasurements	8,449	(3,072)
	30,595	18,771

27.2 This represents royalty to Government of the Punjab for extraction of raw materials as per law.

28. Administrative expenses

		2018	2017
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 28.1	338,539	300,495
Electricity, gas and water		18,293	17,057
Repairs and maintenance		8,838	6,951
Insurance		4,860	4,451
Depreciation on operating fixed assets	- note 16.1.3	67,561	73,737
Vehicle running		12,996	11,026
Postage, telephone and telegram		14,706	11,043
Printing and stationery		7,327	8,952
Legal and professional services	- note 28.2	36,158	14,406
Travelling and conveyance		38,198	30,217
Rent, rates and taxes		361	472
Entertainment		4,576	3,478
School expenses		30,954	28,946
Fee and subscription		24,723	28,041
Other expenses		16,635	11,949
		624,725	551,221

28.1 Salaries, wages and other benefits include Rs 9.764 million (2017: Rs 8.689 million), Rs 8.848 million (2017: Rs 7.682 million) and Rs 7.303 million (2017: Rs 4.542 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and accumulating compensated absences as detailed below.

28.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2018	2017
	(Rupees in thousand)	
Gratuity		
Current service cost	7,986	7,731
Interest cost for the year	5,513	4,732
Interest income on plan assets	(4,651)	(4,781)
	8,848	7,682
Accumulating compensated absences		
Current service cost	4,024	3,991
Interest cost for the year	1,262	1,295
Remeasurements	2,017	(744)
	7,303	4,542

		2018	2017
		(Rupees in thousand)	

28.2 Legal and professional charges

	2018	2017
Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:		
Statutory audit	2,795	2,541
Half-yearly review	846	733
Tax services	10,435	1,733
Certifications required under various regulations	483	93
Out of pocket expenses	929	872
	15,488	5,972

29. Selling and distribution expenses

		2018	2017
Salaries, wages and other benefits	- note 29.1	159,695	142,622
Electricity, gas and water		2,494	2,004
Repairs and maintenance		635	719
Insurance		631	710
Depreciation on operating fixed assets	- note 16.1.3	5,585	4,643
Vehicle running		4,830	4,058
Postage, telephone and telegram		2,176	1,876
Printing and stationery		2,078	1,714
Legal and professional services		-	100
Rent, rates and taxes		2,324	2,655
Travelling and conveyance		3,623	2,104
Entertainment		1,301	923
Advertisement and sales promotion		25,485	12,815
Freight and handling charges		686,044	792,093
Other expenses		1,255	10,009
		898,156	979,045

29.1 Salaries, wages and other benefits include Rs 6.191 million (2017: Rs 5.628 million), Rs 4.359 million (2017: 3.756 million) and Rs 3.650 million (2017: Rs 2.267 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and accumulating compensated absences as detailed below.

	2018	2017
	(Rupees in thousand)	

29.1.1 Salaries, wages and other benefits

	2018	2017
Salaries, wages and other benefits include the following in respect of retirement benefits:		
Gratuity		
Current service cost	3,934	3,780
Interest cost for the year	2,716	2,314
Interest income on plan assets	(2,291)	(2,338)
	4,359	3,756
Accumulating compensated absences		
Current service cost	2,011	1,992
Interest cost for the year	631	646
Remeasurements	1,008	(371)
	3,650	2,267

		2018	2017
		(Rupees in thousand)	

30. Other expenses

		2018	2017
Workers' profit participation fund	- note 11.2	395,892	595,942
Donations	- note 30.1	101,750	50,589
Realized loss on derivative financial instrument		-	5,650
Un-realized loss on derivative financial instrument		-	48,056
Exchange loss		257,008	21,010
Loss on disposal of property, plant and equipment		178,010	-
Workers' welfare fund	- note 11.3	151,856	164,799
Impairment on operating fixed assets	- note 16.1.4	1,270,120	-
Others		20	5,467
		2,354,656	891,513

30.1 Includes donation amounting to Rs 1 million made to Dera Ghazi Khan Officers Club (2017: Nil). Further, it includes donations in which the interest of a Director in the donee is as follows:

Name and address of donee	Director of the Company	Interest in Donee	2018	2017
			(Rupees in thousand)	
Saleem Memorial Trust Hospital, 31-Q, Gulberg II, Lahore	Mian Raza Mansha	Director	100,000	50,000

31. Other income

		2018	2017
Income on bank deposits		11,014	101,794
Mark-up on loan / advances to:			
- Related parties	- note 31.1	67,813	38,796
- Others		-	210
		67,813	39,006
Realized gain on derivative financial instruments		12,979	-
Gain on disposal of available-for-sale investments		-	1,280
Dividend income from:			
- Related parties	- note 31.2	1,926,045	1,937,318
- Others		8,740	6,736
		1,934,785	1,944,054
Rental income		1,376	1,345
Gain on disposal of operating fixed assets	- note 16.1.5	-	1,619
Scrap sales		86,863	26,758
Compensation from plant supplier	- note 31.3	910,500	-
Others		1,331	2,360
		3,026,661	2,118,216

31.1 This is from Nishat Hotels and Properties Limited, a related party due to common directorship, on the loan as referred to in note 24.

	2018	2017
	(Rupees in thousand)	

31.2 Dividend income from related parties

	2018	2017
Nishat Mills Limited (Investor)	151,448	151,448
Adamjee Insurance Company Limited (due to common directorship)	66,965	92,855
MCB Bank Limited (group company)	1,636,436	1,636,436
Nishat (Chunian) Limited (group company)	20,004	18,186
Nishat Paper Products Company Limited (subsidiary)	51,192	38,393
	1,926,045	1,937,318

31.3 This represents compensation for WHEPP for underperformance as fully explained in note 16.1.4 to these financial statements.

		2018	2017
		(Rupees in thousand)	

32. Finance cost

		2018	2017
Interest and mark-up on:			
- Long term loans - secured		110,769	179,299
- Short term borrowings - secured		377,512	154,014
- Workers' profit participation fund	- note 11.2	-	5,873
Guarantee commission		4,707	6,397
Bank charges		26,279	37,312
		519,267	382,895

33. Taxation

		2018	2017
Current:			
- For the year		-	3,162,000
- Prior years'		(58,181)	(162,280)
		(58,181)	2,999,720
Deferred	- note 10	(1,409,349)	183,046
	- note 33.1	(1,467,530)	3,182,766

33.1 This includes investment tax credit amounting to Rs 3,000.048 million arising primarily on the installation of plant and machinery of the cement production facility during the year at Hub entitled under section 65B of the Income Tax Ordinance, 2001. Such investment tax credit has been adjusted against the income tax liability for the year which includes the tax under normal tax regime of the Income Tax Ordinance, 2001 ('the Ordinance') at the rate of 30%, tax on exports and dividend income which is full and final discharge of Company's tax liability in respect of income arising from such source and tax on capital gains under section 37A of the Ordinance. After adjustment against income tax liability for the year, the investment tax credit of Rs 220.406 million could not be adjusted for the year and is carried forward to be adjusted in next two years. The carried forward investment tax credit has been recognised as a deferred tax asset.

33.2 By virtue of amendments introduced through Finance Act 2018, the provisions of section 5A of the Ordinance have been amended to the effect that 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 2017.

	2018	2017
	%	%

33.3 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	30.00	31.00
Tax effect of:		
- Amounts that are not deductible for tax purposes - net	0.62	0.47
- Change in prior years' tax	(0.71)	(1.45)
- Amounts that are allowable as tax credit	(40.71)	(0.75)
- Super Tax	3.80	2.85
- Change in tax rate	(8.07)	-
- Income chargeable under final tax regime	(4.84)	(3.60)
	(49.91)	(2.48)
Average effective tax rate charged to statement of profit or loss	(19.91)	28.52

33.4 Management assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessment for last three tax years is as follows:

	2017	2016	2015
		(Rupees in thousand)	
Tax assessed as per most recent tax assessment	2,785,799	2,458,865	1,691,962
Provision in accounts for income tax	3,103,819	2,696,587	1,691,962

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

34. Earnings per share

34.1 Earnings per share - Basic

		2018	2017
Profit for the year	**Rupees**	8,837,608,000	7,975,341,000
Weighted average number of ordinary shares	**Number**	438,119,118	438,119,118
Earnings per share - basic	**Rupees**	20.17	18.20

34.2 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, 2018, and June 30, 2017, which would have any effect on the earnings per share if the option to convert is exercised.

35. Remuneration of Chief Executive, Directors and Executives

35.1 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:

	Chief Executive		Executive Director		Executives*	
	(Rupees in thousand)					
	2018	2017	2018	2017	2018	2017
Short term employee benefits						
Managerial remuneration	21,384	18,960	15,687	14,260	379,187	286,746
Housing	270	270	335	335	120,063	88,593
Utilities	7,502	6,687	201	205	24,556	15,483
Leave passage	-	-	1,089	594	7,976	6,198
Bonus	4,860	4,334	1,188	1,061	77,474	63,025
Medical expenses	1,957	2,221	142	56	10,148	7,829
Others	13,986	12,370	861	753	95,838	61,649
Post employment benefits						
Contributions to Provident and Gratuity Fund	-	-	2,876	2,614	43,419	38,074
	49,959	44,842	22,379	19,878	758,661	567,597
Number of persons	1	1	1	1	142	104

** Comparative figures have been restated to reflect changes in the definition of 'executive' as per the Companies Act, 2017.*

35.2 The Company also provides the chief executive and some of the directors and executives with Company maintained cars, travelling and utilities.

35.3 During the year, the Company paid meeting fee amounting to Rs 870,000 (2017: Rs 590,000) to its non-executive directors. The number of non-executive directors is 5 (2017: 5).

	2018	2017
	(Rupees in thousand)	

36. Cash generated from operations

		2018	2017
Profit before tax		7,370,078	11,158,107
Adjustments for:			
- Depreciation on operating fixed assets		2,304,249	2,061,811
- Gain on disposal of investments		-	(1,280)
- Loss / (gain) on disposal of operating fixed assets		178,010	(1,619)
- Realized (gain) / loss on derivative financial instruments		(12,979)	5,650
- Unrealized loss on derivative financial instruments		-	48,056
- Dividend income		(1,934,785)	(1,944,054)
- Mark-up income		(67,813)	(39,006)
- Provision for retirement benefits		91,615	66,028
- Exchange loss		257,008	21,010
- Impairment loss on operating fixed assets		1,270,120	-
- Compensation from plant supplier		(910,500)	-
- Finance cost		519,267	382,895
Profit before working capital changes		1,694,192	599,491
Effect on cash flows due to working capital changes:			
- Increase in stores, spares and loose tools		(174,807)	(933,239)
- Increase in stock-in-trade		(214,682)	(396,281)
- Decrease/(increase) in trade debts		40,859	(8,006)
- Decrease/(increase) in loans, advances, deposits, prepayments and other receivables		261,153	(1,398,084)
- Increase in trade and other payables		2,204,466	357,692
		2,116,989	(2,377,918)
		11,181,259	9,379,680

37. Cash and cash equivalents

		2018	2017
Cash and bank balances	- note 25	469,104	421,880
Short term borrowings - secured	- note 13	(12,209,667)	(8,571,228)
		(11,740,563)	(8,149,348)

38. 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 including directors and post employment benefit plans. 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 financial statements other than the following:

Relationship with the Company	Nature of transactions		2018	2017
			(Rupees in thousand)	
i. Subsidiary companies	Purchase of goods		1,487,093	1,249,058
	Sales of goods and services		23,008	26,440
	Rental income		893	834
ii. Investor	Sale of goods		81,434	135,530
	Dividend paid		877,036	722,265
iii. Other related parties	Sale of goods		53,663	48,959
	Insurance premium		78,198	83,634
	Purchase of services		36,320	46,541
	Insurance claims received		11,033	6,404
	Dividend paid		22,866	116,956
iv. Key management personnel	Remuneration	- note 38.1	145,053	128,225

38.1 This represents remuneration of the Chief Executive, executive director and certain executives that are included in the remuneration disclosed in note 35 to these financial statements.

38.2 The names of related parties with whom the Company has entered into transactions or had agreements / arrangements in place during the year and whose names have not been disclosed elsewhere in these financial statements are as follows:

Name	Basis of relationship
Pakistan Aviators & Aviation (Private) Limited	Group company
Nishat Agriculture Farming (Private) Limited	Common directorship

39. Plant capacity and actual production

		Capacity		Actual production	
		2018	2017	2018	2017
Clinker (Metric Tonnes)					
Plant I - D.G. Khan	- note 39.1	810,000	810,000	899,585	829,387
Plant II - D.G. Khan	- note 39.1	1,200,000	1,200,000	1,244,058	1,195,979
Plant III - Khairpur	- note 39.1	2,010,000	2,010,000	2,269,770	2,289,234
Plant IV - Hub	- note 39.2	36,000	-	-	-

39.1 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.

39.2 Normal capacity is based on 4 working days, as the plant was ready for use on June 27, 2018. Actual production was nil during the year as the rotary kiln was in the process of lighting up.

	2018	2017
40. Number of employees		
Total number of employees as at June 30	1,630	1,280
Average number of employees during the year	1,455	1,230
Number of factory employees as at June 30	1,394	1,101
Average number of factory employees during the year	1,248	1,060

41. 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:

- Investment out of the provident fund ('fund') in securities listed on Pakistan Stock Exchange Limited in Pakistan, including shares of companies, bonds, redeemable capital, debt securities, equity securities and listed collective investment schemes registered as notified entity with the Securities and Exchange Commission of Pakistan ('Commission') under Non Banking Finance Companies and Notified Entities Regulations, 2008 exceeded 50% of the size of the fund;

- 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, exceeded 30% of the size of the fund;

- 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; and

- The fund has aggregate investment in listed equity securities, other than equity collective investment schemes in excess of Rs 50 million but has neither appointed nor sought advice from an investment advisor holding a valid license from the SECP for providing investment advisory services.

However, as per S.R.O. 731(I)/2018 dated June 6, 2018, a transition period of one year 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, 2018.

42. Financial risk management

42.1 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. The Company uses derivative financial instruments to hedge certain risk exposures.

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 future commercial transactions or 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.

	2018	2017
	(Rupees in thousand)	
Cash and bank balances - USD	290	93
Trade receivables from foreign parties - USD	945	1,485
Short term borrowings - secured - USD	-	(24,000)
Net asset/(liability) exposure - USD	1,235	(22,422)

At June 30, 2018, if the Rupee had weakened / strengthened by 10% against the USD with all other variables held constant, pre-tax profit for the year would have been Rs 15.008 million higher/lower (2017: Rs 235.428 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 available-for-sale. 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 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 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	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Pakistan Stock Exchange Limited	-	-	2,633,221	2,855,336

As at June 30, 2018, 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.

	2018	2017
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	219,495	149,166
Financial liabilities		
Export finances	(1,290,000)	(1,840,000)
Net exposure	(1,070,505)	(1,690,834)
Floating rate instruments:		
Financial assets		
Loan to related party	1,000,000	1,000,000
Financial liabilities		
Long term finances - secured	(20,040,471)	(13,020,000)
Short term borrowings - secured	(13,499,667)	(10,411,228)
	(33,540,138)	(23,431,228)
Net exposure	(32,540,138)	(22,431,228)

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, 2018, if interest rates on variable rate instruments had been 1% higher / lower with all other variables held constant, pre-tax profit for the year would have been Rs 269.509 million (2017: Rs 143.033 million) lower / higher, mainly as a result of higher / lower interest income/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 distributors and wholesale and retail 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:

	2018	2017
	(Rupees in thousand)	
Long term loans and deposits	59,843	58,844
Loan to related party	1,000,000	1,000,000
Trade debts	188,293	220,182
Loans, advances, deposits and other receivables	926,396	7,973
Balances with banks	467,801	421,281
	2,642,333	1,708,280

	2018	2017
The aging analysis of trade debts that are past due and not impaired (other than related parties) is as follows:		
Up to 90 days	153,533	172,150
91 to 180 days	28,244	22,891
181 to 365 days	-	-
Above 365 days	-	-
	181,777	195,041
The aging analysis of trade debts from related parties that are past due and not impaired is as follows:		
Up to 90 days	5,786	14,524
91 to 180 days	730	9,520
181 to 365 days	-	330
Above 365 days	-	767
	6,516	25,141

(ii) 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	2018	2017
				(Rupees in thousand)	
Askari Bank Limited	A1+	AA+	PACRA	6	6
Bank Alfalah Limited	A1+	AA+	PACRA	179,224	127,022
Bank Islami Pakistan Limited	A1	A+	PACRA	569	288
The Bank of Punjab	A1+	AA	PACRA	228	151
The Bank of Khyber	A1	A	PACRA	48	-
Citibank N.A.	P-1	A1	Moody's	1	20,001
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	3,599	1,076
MCB Bank Limited	A1+	AAA	PACRA	274,955	197,856
Meezan Bank Limited	A-1+	AA+	JCR-VIS	13	13
National Bank of Pakistan	A1+	AAA	PACRA	1,315	3,003
NIB Bank Limited	A1+	AAA	PACRA	1,546	16,390
Silk Bank Limited	A-2	A-	JCR-VIS	5	5
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	439	1,287
United Bank Limited	A-1+	AAA	JCR-VIS	5,814	54,144
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	27	27
JS Bank Limited	A1+	AA-	PACRA	12	12
				467,801	421,281

(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.

Management monitors the forecasts of the Company's cash and cash equivalents (note 39 to these financial statements) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

(Rupees in thousand)

At June 30, 2018	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
Long term finances	20,040,471	2,310,147	3,978,405	13,751,919
Trade and other payables	6,580,186	6,580,186	-	-
Accrued finance cost	347,880	347,880	-	-
Short term borrowings - secured	12,209,667	12,209,667	-	-
	39,178,204	21,447,880	3,978,405	13,751,919

(Rupees in thousand)

At June 30, 2018	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
Long term finances	13,020,000	500,000	4,132,722	8,387,278
Trade and other payables	5,432,198	4,659,515	-	-
Accrued finance cost	217,204	217,204	-	-
Short term borrowings - secured	8,571,228	8,571,228	-	-
Derivative financial instrument	48,056	48,056	-	-
	27,288,686	13,996,003	4,132,722	8,387,278

42.2 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 balance sheet). Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances and liquid investments.

The gearing ratios as at June 30, 2018 and 2017 were as follows:

		2018	2017
		(Rupees in thousand)	
Borrowings - notes 7 & 13		32,250,138	21,591,228
Less: Cash and cash equivalents - note 25		469,104	421,880
Net debt		31,781,034	21,169,348
Total equity		77,134,421	74,868,879
Gearing ratio	Percentage	29%	22%

In accordance with the terms of agreement 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 in respect of capital requirements which the company has complied with throughout the reporting period.

42.3 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is determined on the basis of objective evidence at each reporting date.

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, 2018	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Recurring fair value measurements				
Assets				
Investments - Available-for-sale	26,332,214	-	3,392,170	29,724,384
Total assets	26,332,214	-	3,392,170	29,724,384
Total liabilities	-	-	-	-
As at June 30, 2017				
Recurring fair value measurements				
Assets				
Investments - Available-for-sale	28,553,364	-	4,501,000	33,054,364
	28,553,364	-	4,501,000	33,054,364
Liabilities				
Derivative financial instruments	-	48,056	-	48,056
Total liabilities	-	48,056	-	48,056

Movement in the above mentioned assets has been disclosed in notes 19 and 24 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since the ordinary shares of Nishat Hotels and Properties Limited are not listed, an investment advisor engaged by the Company has estimated a fair value of Rs 32.42 per ordinary share as at June 30, 2018 through a valuation technique based on its discounted cash flow analysis. Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and since its operations have not commenced as of the reporting date, management assesses the fair value of such investment equal to its cost. 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 value for the remaining financial instruments.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

42.4 Financial instruments by categories

	At fair value through profit or loss	Available-for-sale	Loans and receivables	Total
		(Rupees in thousand)		
As at June 30, 2018				
Assets as per statement of financial position				
Long term loans and deposits	-	-	59,843	59,843
Trade debts	-	-	188,293	188,293
Loans, advances, deposits and other receivables	-	-	926,396	926,396
Loan to related party	-	-	1,000,000	1,000,000
Investments	-	29,724,384	-	29,724,384
Cash and bank balances	-	-	469,104	469,104
	-	29,724,384	2,643,636	32,368,020

	At fair value through profit or loss	Available-for-sale	Loans and receivables	Total
		(Rupees in thousand)		
As at June 30, 2017				
Assets as per statement of financial position				
Long term loans and deposits	-	-	58,844	58,844
Trade debts	-	-	220,182	220,182
Loans, advances, deposits and other receivables	-	-	7,973	7,973
Investments	-	33,054,364	-	33,054,364
Loan to related party	-	-	1,000,000	1,000,000
Cash and bank balances	-	-	421,880	421,880
	-	33,054,364	1,708,879	34,763,243

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Liabilities as per statement of financial position				
Long term finances - secured	-	-	20,040,471	13,020,000
Accrued finance cost	-	-	347,880	217,121
Trade and other payables	-	-	6,580,186	3,858,100
Short term borrowings - secured	-	-	12,209,667	8,571,228
Derivative financial instrument	-	48,056	-	-
	-	48,056	39,178,204	25,666,449

42.5 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.

43. Summary of significant transactions and events

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

- construction and installation of cement production facility at Hub, Balochistan having clinker capacity of 9,000 tons per day. The new plant was ready for use at June 27, 2018;

- due to the first time application of financial reporting requirements under the Companies Act, 2017, including presentation and disclosure requirements of the Fourth Schedule to the Companies Act, 2017, some of the amounts reported for the previous year have been reclassified. However, no significant reclassifications have been made;

- direction by the honourable Supreme Court of Pakistan to make alternate arrangements for water supply (refer to note 15.1.7);

- long term finances aggregating Rs 7,853.805 million were disbursed to the Company and principal amounting to Rs 833.333 million was repaid by the Company (refer to note 7);

- Company resolved to invest from time to time Rs 850 million in Hyundai Nishat Motor (Private) Limited, the approval of which was sought through an Extraordinary General Meeting. Out of this amount, investment amounting to Rs 150 million was made (refer to note 17.1.4);

- declared dividend amounting to Rs 3,285.894 million (refer to statement of changes in equity);

- impairment of Waste Heat to Recovery Power Plant at Khairpur (refer to note 16.1.4); and

- for a detailed discussion about the above as well as other projects and the Company's overall performance, please refer to the Directors' Report.

44. Date of authorisation for issue

These financial statements were authorised for issue on September 19, 2018 by the Board of Directors of the Company.

45. Event after the reporting date

45.1 The Board of Directors have proposed a final dividend for the year ended June 30, 2018 of 4.25 per share, amounting to Rs 1,862.006 million at their meeting held on September 19, 2018 for approval of the members at the Annual General Meeting to be held on October 27, 2018. These financial statements do not include the effect of the above dividend that will be accounted for in the period in which it is approved.

46. 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

Directors' Report on Consolidated Financial Statements

The directors of your company are pleased to present you their report on consolidated financial statements of the Company.

The consolidated accounts represent accounts of DG Khan Cement Company Limited (DGKC)-the holding company, Nishat Paper Products Company Limited (NPPCL) and Nishat Dairy (Private) Limited (NDL).

Principal Activity

Principal Activities of holding and subsidiary companies are:

DG Khan Cement Company Limited:
Manufacture & Sale of Cement
Nishat Paper Products Company Limited:
Manufacture & Sale of Paper Sacks
Nishat Dairy (Private) Limited:
Dairy Farming

Holding

DGKC holds shareholding in its subsidiaries as mentioned below:

Company	Shares	% shareholding
NPPL	25,595,398	55.00
NDL	270,000,000	55.10

Business Results and Affairs

Consolidated performance numbers of for the year ended on June 30, 2018:

PKR in thousands

	FY18	FY17
Sales	33,464,856	32,475,147
Cost of sales	(24,647,758)	(20,348,126)
Gross profit	8,817,098	12,127,021
Administrative expenses	(706,148)	(617,386)
Selling and distribution expenses	(919,866)	(996,589)
Other operating expenses	(2,545,982)	(1,076,075)
Other income	3,001,978	2,110,462
Changes in fair value of biological assets	242,436	(10,017)
Finance cost	(574,569)	(412,137)
Profit before taxation	7,314,947	11,125,279
Taxation	1,623,594	(3,271,815)
Profit after taxation	8,938,541	7,853,464

Earnings Per Share

Consolidated Earnings Per Share is PKR 20.25 (FY17: PKR 18.01)

Performance

Consolidated EPS for FY18 is PKR 20.25 against PKR 18.01 of FY17. Net Sales increased by 3%. Gross profit decreased by about 27%, PBT decreased by 34% and PAT increased by about 13.8%.

Separate detailed report is issued on affairs of holding company.

	NPPL	NDL (Consolidated)
Net Sales (PKR in millions) – FY18	2,994	1,296
Net Sales (PKR in millions) – FY17	2,484	1,110
EPS – FY18	5.47	(0.14)
EPS – FY17	7.3	(0.81)
Gross Margin - FY18	11.69	(18.38)
Gross Margin - FY17	23.64	(25.25)
PAT Margin - FY18	8.5	(5.15)
PAT Margin – FY17	13.67	(26.81)

NPPL net sales increased by about 20%. Margins reduced due to high kraft paper prices.

NDL revenue though increased by 16% but yet reporting gross loss. Major cause for low production and loss is is unexpected mortality of imported milking animals and health issues due to ecological and environmental change.

Future Prospects

Economic activity in country, development projects and CPEC are positive indicators. Cement sales are expected to grow with a risk of range bound price fluctuations due to expansions. The volumetric increase in cement industry sales will impart positive impression on NPPL. Kraft paper prices trend is one of major factors to determine the earnings of NPPL. NDL is moving in positive direction.

Principal Risks

Following are the principal risks the Company on consolidated basis face:

- Tight price market and tough competition
- Capacity utilization
- Interest rate
- Foreign currency fluctuations
- Shrinking margins in exports market
- Prices of kraft paper
- Animals related risks like diseases, mortality etc.

Significant Changes

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

Post Balance Sheet Events

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

Business Impact on Environment

Our plants and operations are complying with international and national environmental standards.

Framework & Internal Controls

The system of internal control is sound in design and has been effectively implemented and monitored. Proper books of account of the company have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. The financial statements are prepared according to applicable laws and rules and present true and fair picture of company.

Directors

DGKC

Mrs. Naz Mansha (Chairperson)
Mr. Raza Mansha
Mr. Khalid Niaz Khawaja
Mr. Mohammad Arif Hameed
Mr. Khalid Qadeer Qureshi
Mr. Farid Noor Ali Fazal
Mr. Shahzad Ahmad Malik

NPPL

Mr. Raza Mansha (Chairman)
Mr. Farid Noor Ali Fazal
Mr. Aftab Ahmad Khan
Mr. Mehmood Akhtar
Mrs. Ammil Raza Mansha
Dr. Arif Bashir
Mr. Badr Ul Hassan

NDL

Mr. Raza Mansha (Chairman)
Mr. Umer Mansha
Mr. Hassan Mansha

We are cordially thankful to our all customers, dealers, suppliers, lenders and other stakeholders. We appreciate all our employees and admire their untiring efforts for betterment of company.

For and on behalf of the Board

Raza Mansha	Farid Noor Ali Fazal
Chief Executive Officer	Director

Lahore
September 19, 2018

Independent Auditor's Report

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

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, 2018, 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, 2018, 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.	**Companies Act, 2017** *(Refer note 2.3 to the annexed consolidated financial statements)* The provisions of the Fourth Schedule to the Companies Act, 2017, became applicable to the Group for the first time in the preparation of the annexed consolidated financial statements. As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result, certain amendments and additional disclosures were made in the Group's annexed consolidated financial statements.	We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following: - Considered the management's process to identify the additional disclosures required in the Group's annexed consolidated financial statements; - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; and - Verified on test basis, the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.

Sr. No.	Key audit matters	How the matters were addressed in our audit
	In view of the additional disclosures in the annexed consolidated financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.	
2.	**Additions to Property, Plant and Equipment** *(Refer note 17.2 to the annexed consolidated financial statements)* The Group has incurred significant capital expenditure during the current year, which primarily comprises of the following: - Expenditure on the fourth cement production facility in Hub, Balochistan, ('Hub project' or 'project') amounting to Rs 15,797.134 million. Further, the amount transferred to operating fixed assets during the year in respect of this is Rs 44,822.299 million. - Expenditure on an additional paper bags production line in Khairpur, District Chakwal, Punjab amounting to Rs 913.473 million was incurred during the year. The incurrence of capital expenditure involves appropriateness of the production facility costs and determining which costs meet the criteria for capitalisation under the accounting and reporting standards. The installation of both the above production facilities and commencement of their operations are significant transactions during the year and involved management's judgement relating to capitalisation of costs as well as estimation of the useful lives of the operating fixed assets. The matter is, therefore, considered as a key audit matter.	Our audit procedures included the following: - Assessed the design, implementation and operating effectiveness of key internal controls over the purchase and accounting of the assets; - Tested the costs capitalised with the relevant underlying documentation; - Tested the implementation of accounting policies through a combination of controls testing, including Information Technology General Controls over property, plant and equipment accounting systems. Procedures included assessing the design, implementation and testing the operating effectiveness of controls in respect of the capitalization of assets and the identification of potential indicators of impairment for the new cement plant; - Verified the capitalisation of borrowing costs based on the relevant criteria and compared interest rates to loan agreements, recalculating the interest capitalisation rate and assessing the calculation of interest capitalised in capital work-in-progress for the new cement plant; - Assessed the nature of capitalised costs to ensure whether assets capitalised meet the recognition criteria set out in International Accounting Standard - 16 "Property, Plant and Equipment"; - Inspected contracts and underlying invoices/bills to ensure the classification between capital and operating expenditure was appropriate. We tested a sample of capital accruals to assess the existence of the costs being capitalized; - Considered whether capitalisation of assets ceased when the assets are in the location and condition necessary for it to be capable of operating in the manner intended by the management; - Challenged the useful economic lives and residual values assigned with reference to the Group's historical experience, assessment by the technical team of engineers, our understanding of the future utilisation of assets by the Group and by reference to the depreciation policies applied by third parties operating similar assets;

Sr. No.	Key audit matters	How the matters were addressed in our audit
		- Visited the project's location to physically inspect the existence and operation of new cement plant; and - Reviewed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.
3.	**Impairment of Property, Plant and Equipment** *(Refer note 17.1.4 to the consolidated financial statements)* The Group has a Waste Heat to Energy Power Plant (the 'Plant') installed at Khairpur, District Chakwal, Punjab that had a carrying amount of Rs 2,000.058 million before impairment. The Plant's failure to achieve ideal performance parameters indicated that it may be impaired. Consequently, the Group carried out an impairment test of the Plant wherein it determined the recoverable amount of the Plant of Rs 729.938 million based on higher of 'fair value less costs of disposal' and 'value in use'. Resultantly, the recoverable amount was determined to be lower than its carrying amount and the Group has recognised an impairment loss of Rs 1,270.120 million in the consolidated statement of profit or loss for the year. Management involved an expert (professional valuer) to determine the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. Both valuations involve a number of estimation techniques and management's judgement. Furthermore, as a result of its underperformance, the Plant supplier, FLSmidth A/S, Denmark, has agreed to compensate the Group for an amount of USD 7.5 million (equivalent to Rs 910.5 million translated on the exchange rate at the reporting date) that has been recognised as 'Other income' in the consolidated statement of profit or loss for the year. The above represents a significant event and a high level of judgment and estimation is required to assess the recoverable amount of the aforementioned asset. Therefore, we consider the matter to be a key audit matter.	Our audit procedures included the following: - Reviewed the presence and magnitude of impairment indicators of the relevant assets; - Obtained an understanding of the work performed by the management's expert for determining the fair value less costs of disposal; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Involved our own expert to assess the work of management's expert after examining the professional qualification of our expert and assessing the independence, competence and experience of our expert in the field; - Our expert agreed with the 'fair value less costs of disposal' determined by the management's expert; - For value in use, we evaluated cash flow forecasts and the process by which they were determined and approved, including confirming the mathematical accuracy of the underlying calculations; - Compared the cash flows used against the understanding we obtained about the business areas through our audit, and assessed if these cash flows were reasonable; - Obtained corroborating evidence relating to the value as determined by the management by challenging key assumptions used in the cash flow forecast by comparing them with available market information; - Inspected the settlement agreement between the Plant supplier and the Group; - Checked subsequent cash receipt of the compensation as per the settlement agreement; and - Reviewed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

Sr. No.	Key audit matters	How the matters were addressed in our audit
4.	**Investment measured at fair value** *(Refer note 18.1.3 to the consolidated financial statements)* The Group holds an investment of 10.42% shareholding of Nishat Hotels and Properties Limited ('NHPL') which it carries at a fair value of Rs 3,242.17 million at June 30, 2018. It has recognised a loss of Rs 1,258.83 million during the year in other comprehensive income on the re-measurement of fair value at June 30, 2018. Due to NHPL being a non-listed company, its share does not have a quoted price in an active market. Therefore, fair value of the share is determined through appropriate valuation methodology based on discounted cash flow method. This involves a number of estimation techniques and management's judgement to obtain reasonable expected future cash flows of NHPL's business and related discount rate. Management involves an expert to perform this valuation on its behalf. Due to the significant level of judgment and estimation required to determine the fair value of the investment, we consider it to be a key audit matter.	Our audit procedures included the following: - Obtained the discounted cash flow model ('model') and checked the mathematical accuracy of the computations; - Obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation; - Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; - Considered our own competence and experience to assess the work of management's expert; - Understood and evaluated the process by which the cash flow forecast was prepared and approved, including confirming the mathematical accuracy of the underlying calculations; - Evaluated the cash flow forecast by obtaining an understanding of NHPL's business and assessed that these cash flows were reasonable; - Obtained corroborating evidence relating to the value as determined by the management's expert by challenging key assumptions for the growth rates in the cash flow forecast by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; - Assessed whether the assumptions used were in line with other market participants and reflected the particular status of the investment shareholding; - Performed sensitivity analysis around these assumptions to ascertain the extent of change individually in the value of the investment; - The work of management's expert was found to be free from bias and was reasonable; and - Reviewed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report 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.

Chartered Accountants
Lahore,
Dated: September 19, 2018

Consolidated Statement of Financial Position

	Note	2018	2017
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
950,000,000 (2017: 950,000,000)			
ordinary shares of Rs 10 each		9,500,000	9,500,000
50,000,000 (2017: 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 (2017: 438,119,118)			
ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Reserves	6	34,722,352	37,979,019
Revenue reserve: Un-appropriated profit		37,884,238	32,333,597
Attributable to owners of the parent company		76,987,781	74,693,807
Non-controlling interest	46.2	1,994,849	1,971,423
		78,982,630	76,665,230
NON-CURRENT LIABILITIES			
Long term finances - secured	7	18,330,324	12,547,500
Long term deposits	8	109,726	79,441
Deferred liabilities	9	278,379	186,837
Deferred taxation	10	4,299,861	6,245,772
		23,018,290	19,059,550
CURRENT LIABILITIES			
Trade and other payables	11	7,787,966	5,673,234
Accrued finance cost	12	370,028	219,844
Short term borrowings - secured	13	13,614,942	8,614,810
Loans from related parties - unsecured	14	214,000	169,000
Current portion of non-current liabilities	15	2,364,410	610,028
Derivative financial instrument		-	48,056
Unclaimed dividend		28,347	22,332
Provision for taxation		35,090	35,090
		24,414,783	15,392,394
CONTINGENCIES AND COMMITMENTS	16		
		126,415,703	111,117,174

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive

As At June 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	80,582,245	65,810,012
Biological assets	18	636,403	591,579
Investments	19	13,859,552	16,126,081
Long term loans to employees	20	574	1,008
Long term deposits		60,173	58,740
		95,138,947	82,587,420
CURRENT ASSETS			
Stores, spares and loose tools	21	5,272,192	5,083,011
Stock-in-trade	22	2,428,200	1,795,345
Trade debts	23	519,802	497,748
Investments	24	16,018,629	17,044,142
Loans, advances, deposits, prepayments and other receivables	25	2,824,034	1,983,428
Loan to related party	26	1,000,000	1,000,000
Income tax recoverable		2,714,926	675,552
Cash and bank balances	27	498,973	450,528
		31,276,756	28,529,754
		126,415,703	111,117,174

Chief Financial Officer

Director

Consolidated Statement of Profit or Loss
for the Year Ended June 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Sales	28	33,464,856	32,475,147
Cost of sales	29	(24,647,758)	(20,348,126)
Gross profit		8,817,098	12,127,021
Administrative expenses	30	(706,148)	(617,386)
Selling and distribution expenses	31	(919,866)	(996,589)
Other expenses	32	(2,545,982)	(1,076,075)
Other income	33	3,001,978	2,110,462
Changes in fair value of biological assets	18	242,436	(10,017)
Finance cost	34	(574,569)	(412,137)
Profit before taxation		7,314,947	11,125,279
Taxation	35	1,623,594	(3,271,815)
Profit for the year		8,938,541	7,853,464
Attributable to:			
Equity holders of the parent company		8,869,995	7,890,603
Non-controlling interest		68,546	(37,139)
		8,938,541	7,853,464
Earnings per share - basic			
and diluted in Rupees	36	20.25	18.01

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

David Dazal

Director

Consolidated Statement of Comprehensive Income

for the Year Ended June 30, 2018

	2018	2017
	(Rupees in thousand)	
Profit after taxation	8,938,541	7,853,464
Other comprehensive (loss)/income for the year - net of tax		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of available-for-sale investments	(3,627,222)	4,561,430
Tax effect of change in fair value of available-for-sale investments	367,318	(787,725)
Gain transferred to statement of profit or loss on derecognition of available-for-sale investment	-	(1,280)
	(3,259,904)	3,772,425
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of retirement benefits	(40,178)	(52,326)
Tax effect of remeasurement of retirement benefits	6,718	15,698
	(33,460)	(36,628)
Total comprehensive income for the year	5,645,177	11,589,261
Attributable to:		
Equity holders of the parent company	5,579,868	11,627,762
Non-controlling interest	65,309	(38,501)
	5,645,177	11,589,261

The annexed notes 1 to 50 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, 2018

	Note	2018	2017
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	37	10,653,716	9,855,222
Finance cost paid		(424,385)	(252,715)
Retirement and other benefits paid		(54,032)	(38,988)
Income tax paid		(2,169,249)	(3,632,065)
Income tax refunded		-	347,088
Long term deposits - net		30,285	(906)
Net cash inflow from operating activities		8,036,335	6,277,636
Cash flows from investing activities			
Fixed capital expenditure		(18,817,463)	(25,072,918)
Proceeds from disposal of property, plant and equipment		45,552	(1,360)
Purchase of/cost incurred on biological assets		-	(131,290)
Proceeds from sale of biological assets		72,717	44,025
Loan to related party		-	(1,000,000)
Long term loans, advances and deposits - net		(999)	1,628
Investment in 'available-for-sale' financial assets		(335,204)	(349,994)
Proceeds from disposal of investments - 'available-for-sale'		-	1,493
Interest income received		67,870	33,688
Dividends received		1,895,635	1,911,209
Net cash outflow from investing activities		(17,071,892)	(24,563,519)
Cash flows from financing activities			
Proceeds from long term finances		8,453,805	11,320,000
Repayment of long term finances		(919,584)	(1,972,017)
Loan from related party		45,000	169,000
Settlement of derivative financial instrument		(35,077)	9,051
Dividends paid to:			
- Non-controlling interests		(43,758)	(31,413)
- Owners of the parent company		(3,279,879)	(2,628,715)
Net cash inflow from financing activities		4,220,507	6,865,906
Net decrease in cash and cash equivalents		(4,815,050)	(11,419,977)
Cash and cash equivalents at the beginning of the year		(8,164,282)	3,272,088
Exchange loss on cash and cash equivalents		(136,637)	(16,393)
Cash and cash equivalents at the end of the year	38	(13,115,969)	(8,164,282)

Refer note 7 and 14 for reconciliation for liabilities arising from financing activities.

The annexed notes 1 to 50 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, 2018

	Capital Reserve				Revenue Reserve				
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Un-appropriated Profit	Total equity attributable to owners of parent company	Non-Controlling Interest	Total equity
	----------------------	Rupees in thousand	----------------------						
Balance as on July 1, 2016	4,381,191	4,557,163	24,183,708	353,510	5,110,851	27,108,337	65,694,760	2,041,337	67,736,097
Total comprehensive income for the year									
- Profit/(loss) for the year	-	-	-	-	-	7,890,603	7,890,603	(37,139)	7,853,464
- Other comprehensive (loss)/income for the year:									
- Changes in fair value of available-for-sale investments - net of tax	-	-	3,775,067	-	-	-	3,775,067	(1,362)	3,773,705
- Gain transferred to consolidated statement of profit or loss on derecognition of available-for-sale investment	-	-	(1,280)	-	-	-	(1,280)	-	(1,280)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(36,628)	(36,628)	-	(36,628)
	-	-	3,773,787	-	-	7,853,975	11,627,762	(38,501)	11,589,261
Transactions with owners in their capacity as owners recognised directly in equity									
Final dividend for the year ended June 30, 2016	-	-	-	-	-	(2,628,715)	(2,628,715)	(31,413)	(2,660,128)
Balance as on June 30, 2017	4,381,191	4,557,163	27,957,495	353,510	5,110,851	32,333,597	74,693,807	1,971,423	76,665,230
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	8,869,995	8,869,995	68,546	8,938,541
- Other comprehensive (loss)/income for the year:									
- Changes in fair value of available-for-sale investments - net of tax	-	-	(3,256,667)	-	-	-	(3,256,667)	(3,237)	(3,259,904)
- Remeasurements of retirement benefits - net of tax	-	-	-	-	-	(33,460)	(33,460)	-	(33,460)
	-	-	(3,256,667)	-	-	8,836,535	5,579,868	65,309	5,645,177
Transactions with owners in their capacity as owners recognised directly in equity									
Final dividend for the year ended June 30, 2017	-	-	-	-	-	(3,285,894)	(3,285,894)	(41,883)	(3,327,777)
Balance as on June 30, 2018	**4,381,191**	**4,557,163**	**24,700,828**	**353,510**	**5,110,851**	**37,884,238**	**76,987,781**	**1,994,849**	**78,982,630**

The annexed notes 1 to 50 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;
- Nishat Dairy (Private) Limited; and
- Nishat Farm Supplies (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.

Nishat Farm Supplies (Private) Limited is a private company limited by shares, incorporated in Pakistan on March 04, 2015 under the repealed Companies Ordinance, 1984 (now, the Act). It is a wholly owned subsidiary of Nishat Dairy (Private) Limited. It is principally engaged in the business of sale, marketing and distribution of imported chemicals, medicines, vaccines, cows, other chemicals of all kinds and types (hereinafter referred to as the 'Farm Supplies segment').

The registered office of 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%
- Nishat Farm Supplies (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, 2017 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 financial statements, except for the following:

- International Accounting Standard (‘IAS’) 7, ‘Cash flow statements: Disclosure initiative’ (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Group has given the required disclosure in these consolidated financial statements.

- IAS 12 ‘Income taxes’ (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Group’s current accounting treatment is already in line with the requirements of this standard.

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, 2018 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 financial statements, except for the following:

- IFRS 9, ‘Financial instruments’: (effective for periods beginning on or after January 1, 2018). This standard has been notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, ‘Financial instruments: Recognition and measurement’. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group is yet to assess the full impact of this standard.

- IFRS 15, ‘Revenue from contracts with customers’: (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, ‘Revenue’, and IAS 11, ‘Construction contracts’, and related interpretations. It is unlikely that the application of the standard will have any significant impact on the Group's financial statements.

- IFRS 16, ‘Leases’: (effective for periods beginning on or after January 1, 2019). This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in 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 is yet to assess the full impact of this standard.

- IFRIC 22, ‘Foreign currency transactions and advance consideration’ (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group is yet to assess the full impact of the interpretation.

- IFRIC 23, ‘Uncertainty over income tax treatments’: (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is yet to assess the full impact of the interpretation.

2.3 Changes due to Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of the Group's consolidated financial statements. These changes also include change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- Elimination of duplicative disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

In view of the above, the presentation of these consolidated financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact on the recognition and measurement of the amounts included in these consolidated financial statements.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared under the historical cost convention except for revaluation of biological assets, certain financial instruments and plan assets of employee retirement benefits at fair value, and recognition of certain plan obligations of employee retirement benefits at present value.

3.2 The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates which have been explained as follows:

a) Provision for taxation - note 4.3 and 35

b) Employee benefits - note 4.4 and 9

c) Useful lives and residual values of property, plant and equipment - note 4.6 and 17

d) Fair valuation of biological assets - note 4.7 and 18

e) Fair value of unquoted available-for-sale investments - note 4.8

a) Provision for taxation

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by income tax department at the assessment stage and where the Group considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

b) Employee benefits

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations and accumulating compensated absences. The valuation is based on the assumptions as mentioned in note 4.4.

c) Useful lives and residual values of property plant and equipment

The Group reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

d) Fair valuation of biological assets

Biological assets are measured at each reporting date, at fair value less costs to sell. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the consolidated statement of profit or loss in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates for some of the inputs into the determination of fair value. The fair values of biological assets – (Dairy livestock) is determined annually by utilizing the services of an independent expert/valuer. These valuations are mainly based on market and livestock conditions existing at the end of each reporting period.

e) Fair value of unquoted available-for-sale investments

Fair value of unquoted investments is determined by using valuation techniques. The Group uses its judgment to select an appropriate method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for this purpose as fully explained in note 19 to these consolidated financial statements.

3.3 Change in accounting estimates

During the year, as a result of review of the useful lives of the Group's property, plant and equipment, management identified an asset i.e. Waste Heat to Energy Power Plant at Khairpur plant of the Cement segment, which required a downward revision in its useful life. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the consolidated profit before tax for the year ended June 30, 2018 would have been higher by Rs 1,259.140 million and carrying value of property, plant and equipment as at that date would have been higher by Rs 1,259.140 million. Consequently, due to the above changes in accounting estimates, future profits before tax would increase by Rs 1,259.140 million.

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 when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The acquisition method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as a change to consolidated statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase.

Where the settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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 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 in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. A change in ownership interests results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequent 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 recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the consolidated statement of profit or loss over the period of the borrowings on an effective interest rate basis.

Preference shares, which are mandatorily redeemable on a specific date at the option of the Group, are classified as liabilities. The dividend on these preference shares is recognised in the profit and loss as finance cost.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

Borrowings are classified as a current liability unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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 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 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 one year 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, 2018 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	9.00% p.a.
Expected increase in eligible salary level	8.00% 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, except for the Farm Supplies segment, 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 service that increases 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 90 days in case of officers. Any balance in excess of 90 days can be encashed up to 17 days a year only. Any further unutilised leaves lapse. In case of workers, unutilised leaves may be accumulated without any limit, 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 consolidated statement of profit or loss . The most recent valuation was carried out as at June 30, 2018 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	9.00% p.a.
Expected rate of increase in salary level per annum	8.00% p.a.
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)
Duration of the plan (years)	8

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, gains and losses transferred from equity on qualifying cash flow hedges and borrowing costs as referred to in note 4.18.

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 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 Group's estimate of the residual value and useful life of its operating fixed assets as at June 30, 2018 has not required any adjustment except as mentioned in note 3.3.

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 drecognised 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:

4.9.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.10 Stores, spares and loose tools

These 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.

4.11 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). It excludes borrowing cost.

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.

4.12 Financial assets

4.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets, if expected to be settled within twelve months, otherwise they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits and other receivables and cash and bank balances in the consolidated statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the reporting date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

4.12.2 Recognition and measurement

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in consolidated statement of comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of profit or loss when the Group’s right to receive payments is established.

The Group assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss. Impairment testing of trade debts and other receivables is described in note 4.13.

4.12.3 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument.

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.

4.12.4 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.

4.13 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the consolidated statement of profit or loss. Trade debts, considered irrecoverable, are written off as and when identified. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of profit or loss.

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturity of three months or less, bank overdraft and short term borrowings. In the consolidated statement of financial position, short term borrowings are included in current liabilities.

4.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any derivatives as hedging instruments and accordingly, the changes in fair value re-measurement are recognised in the consolidated statement of profit or loss. Trading derivatives are classified as a current asset or liability.

4.16 Foreign currency transactions and translation

a) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit 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.

4.17 Provisions

Provisions 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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.18 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 and loss in the period in which they are incurred.

4.19 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

- Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

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

4.20 Dividend

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

4.21 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 chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group executive committee.

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.

4.22 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.

5. Issued, subscribed and paid up capital

2018	2017			2018	2017
(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 (2017: 137,574,201), 228,500 (2017: 228,500) and 3,358,344 (2017: 3,358,344) ordinary shares of the Parent company are held by the following related parties; Nishat Mills Limited (the 'Investor', Parent company being its associate under IAS 28), Security General Insurance Company Limited (other related party), and Adamjee Insurance Company Limited (due to common directorship) respectively.

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

5.2 20,000,000 ordinary shares of Rs 10 each were issued to the shareholders of D.G. Khan Electric Company Limited upon its merger with the Parent company on July 01, 1999. These shares were issued as consideration of merger against all assets, properties, rights, privileges, powers, bank accounts, trade marks, patents, leaves and licenses of D.G. Khan Electric Company Limited.

6. Reserves

Movement in and composition of reserves is as follows:

		2018	2017
		(Rupees in thousand)	
Capital reserves			
- Share premium	- note 6.1	4,557,163	4,557,163
- Fair value reserve	- note 6.2	24,700,828	27,957,495
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		29,611,501	32,868,168
Revenue reserve			
- General reserve		5,110,851	5,110,851
		34,722,352	37,979,019

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 investments at fair value and is not available for distribution. This amount shall be transferred to consolidated statement of profit or loss on realisation.

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 have been redeemed during the year ended June 30, 2007.

7. Long term finances - secured

		2018	2017
		(Rupees in thousand)	
Long-term loans	- notes 7.1 & 7.2	20,667,971	13,133,750
Current portion shown under current liabilities	- note 15	(2,337,647)	(586,250)
		18,330,324	12,547,500

7.1 Long term loans - secured

Loan	Lender	2018	2017	Rate of mark-up per annum	Number of instalments outstanding	Mark-up Payable
		(Rupees in thousand)				
Local						
1	Standard Chartered Bank (Pakistan) Limited	1,666,666	-	* Base rate + 0.15%	10 quarterly equal instalments ending in December 2020.	Quarterly
2	Bank Islami Pakistan Limited	450,000	650,00	* Base rate + 0.20%	9 quarterly equal instalments ending in September 2020.	Quarterly
3	Habib Bank Limited	750,000	1,050,000	* Base rate + 0.25%	10 quarterly equal instalments ending in December 2020.	Quarterly
4	The Bank of Punjab	500,000	500,000	** Base rate + 0.25%	10 equal semi-annual instalments ending in December 2023 with a grace period of 6 months.	Half yearly
5	Habib Bank Limited	2,500,000	2,500,000	* Base rate + 0.20%	10 equal semi-annual instalments ending in December 2023 with a grace period of 6 months.	Quarterly
6	Habib Bank Limited	2,499,805	1,730,000	* Base rate + 0.30%	10 equal semi-annual instalments ending in December 2023 with a grace period of 6 months.	Quarterly
7	Bank Alfalah Limited	2,500,000	2,300,000	** Base rate + 0.25%	10 equal semi-annual instalments ending in September 2023 with a grace period of 3 months.	Quarterly
8	National Bank of Pakistan	2,290,000	2,290,000	* Base rate + 0.25%	20 equal quarterly instalments ending in October 2023 with a grace period of 3 months.	Quarterly
9	Allied Bank Limited	5,884,000	2,000,000	* Base rate + 0.20%	18 equal quarterly instalments ending in July 2025 with a grace period of 14 months.	Quarterly
10	National Bank of Pakistan-Islamic	1,000,000	-	** Base rate + 0.5%	10 equal semi-annual instalments ending in December 2024 with a grace period of 18 months.	Half yearly
11	Habib Bank Limited	600,000	-	** Base rate + 0.20%	10 equal semi-annual instalments ending on August 2024 with a grace period of 13 months.	Half yearly
12	United Bank Limited	27,500	82,500	** Base rate + 0.75%	1 semi-annual instalment ending in September 2018.	Half yearly
13	The Bank of Punjab	-	31,250	* Base rate +0.75%	This loan has been completely repaid during the year.	Quarterly
		20,667,971	13,133,750			

* 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

7.2 Security

Loan 1
The loan is secured by pari passu charge over present and future fixed assets of the Cement segment amounting to Rs 2,666 million.
Loan 2
The loan is secured by joint pari passu charge over fixed assets of the Cement segment amounting to Rs 1,000 million.
Loan 3
The loan is secured by first pari passu charge over existing and future fixed assets of the Cement segment amounting to Rs 4,991 million.
Loan 4
The loan is secured by first pari passu charge over fixed assets of the Cement segment amounting to Rs 667 million with 25% margin.
Loan 5
The loan is secured by first pari passu hypothecation charge amounting to Rs 3,333.34 million on existing and future fixed assets of the Cement segment with 25% margin.
Loan 6
The loan is secured by first pari passu charge over existing and future fixed assets of the Cement segment amounting to Rs 4,991 million to be enhanced to Rs 8,667 million.
Loan 7
The loan is secured by first pari passu charge over existing and future fixed assets of the Cement segment amounting to Rs 3,533.333 million with 25% margin.
Loan 8
The loan is secured by first pari passu charge amounting to Rs 4,000 million over all present and future fixed assets of the Cement segment excluding land and building related to cement plant at Khairpur.
Loan 9
The loan is secured by first pari passu charge by way of charge on all present and future fixed assets of the Cement segment with 25% margin and by way of equitable mortgage on immovable fixed assets related to plant at D.G. Khan.
Loan 10
The loan is secured by first pari passu charge of Rs 1,334 million on all present and future fixed assets including land and building related to Cement segment plant at D.G. Khan site inclusive of 25% margin.
Loan 11
This loan is secured by first pari passu hypothecation charge on present and future fixed assets (Plant and Machinery) of the Paper segment.
Loan 12
This loan is secured by first pari passu charge on equipment and machinery of the Paper segment amounting to Rs. 293.33 million.
Loan 13
This loan has been completely repaid during the year.

	2018	2017
	(Rupees in thousand)	

7.3 The reconciliation of the carrying amount is as follows:

	2018	2017
Opening balance	13,133,750	3,652,001
Disbursements	8,453,805	11,320,000
Repayments during the year	(919,584)	(1,838,251)
	20,667,971	13,133,750
Current portion shown under current liabilities	(2,337,647)	(586,250)
	18,330,324	12,547,500

8. Long term deposits

	2018	2017
Customers	45,932	43,137
Others	63,794	36,304
	109,726	79,441

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 financial statements.

9. Deferred liabilities

		2018	2017
		(Rupees in thousand)	
Staff gratuity	- note 9.1	161,815	88,029
Accumulating compensated absences	- note 9.2	116,564	98,808
		278,379	186,837

9.1 Staff gratuity

	2018	2017
The amounts recognised in the consolidated statement of financial position are as follows:		
Present value of defined benefit obligation	584,159	494,929
Fair value of plan assets	(422,344)	(406,900)
Liability as at June 30	161,815	88,029

9.1.1 Movement in net liability for staff gratuity

	2018	2017
Net liability as at beginning of the year	88,029	1,962
Current service cost	53,864	45,965
Net interest on defined benefit obligation	37,181	28,137
Return on plan assets during the year	(31,369)	(28,427)
	59,676	45,675
Total remeasurements for the year charged to consolidated statement of comprehensive income	40,178	52,326
Contributions made by the Group during the year	(26,068)	(11,934)
Liability as at June 30	161,815	88,029

	2018	2017
	(Rupees in thousand)	

9.1.2 Movement in present value of defined benefit obligation

	2018	2017
Present value of defined benefit obligation as at beginning of the year	494,929	404,923
Current service cost	53,864	45,965
Interest cost	37,181	28,137
Benefits paid during the year	(30,346)	(33,668)
Remeasurements:		
- Actuarial losses from changes in financial assumptions	1,176	405
- Experience adjustments	27,355	49,167
	28,531	49,572
Present value of defined benefit obligation as at June 30	584,159	494,929

9.1.3 Movement in fair value of plan assets

	2018	2017
Fair value of plan assets as at beginning of the year	406,900	402,961
Interest income on plan assets	31,369	28,427
Contributions during the year	26,068	11,934
Benefits paid during the year	(30,346)	(33,668)
Remeasurements in fair value of plan assets	(11,647)	(2,754)
Fair value of plan assets as at June 30	422,344	406,900

9.1.4 Plan assets

Plan assets are comprised as follows:

	2018		2017	
	(Rs in '000')	Percentage	(Rs in '000')	Percentage
Plan assets				
Cash and bank balances	520	0.12%	6,364	1.56%
Debt instruments	317,637	75.21%	338,372	83.16%
Deposits	104,186	24.67%	62,164	15.28%
	422,343	100.00%	406,900	100.00%

9.1.5 Charge for the year (including capitalised during the year)

	2018	2017
	(Rupees in thousand)	
Current service cost	53,864	45,965
Interest cost	37,181	28,137
Interest income on plan assets	(31,369)	(28,427)
Total expense for the year	59,676	45,675
Less: Expense capitalized during the year	(9,610)	(5,227)
Expense charged to the consolidated statement of profit or loss	50,066	40,448

	2018	2017
	(Rupees in thousand)	

9.1.6 Total remeasurements charged to consolidated statement of comprehensive income

	2018	2017
Actuarial losses from changes in financial assumptions	1,176	405
Experience adjustments	27,355	49,167
	28,531	49,572
Remeasurements in plan assets, excluding interest income	11,647	2,754
Total remeasurements charged to consolidated statement of comprehensive income	40,178	52,326

9.1.7 Amounts for current period and previous four annual periods of the fair value of plan assets and present value of defined benefit obligation are as follows:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	584,159	494,929	404,923	352,380	273,597
Fair value of plan assets	(422,344)	(406,900)	(402,961)	(319,035)	(161,084)
Deficit	161,815	88,029	1,962	33,345	112,513

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
Experience adjustment arising on plan obligation	28,531	49,572	(862)	15,910	16,362
Experience adjustment on plan assets	(11,647)	(2,754)	52,237	30,157	(1,473)

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

		2018	2017
Discount rate	Per annum	9.00%	7.75%
Expected rate of increase in salary	Per annum	8.00%	6.75%
Rate of interest income on plan assets	Per annum	9.00%	13.25%
Duration of the plan	Number of years	8	8

9.1.9 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	541,133	633,923	634,462	539,906

9.1.10 The Group expects to pay Rs 82.253 million in contributions to defined benefit plan during the year ending June 30, 2019.

		2018	2017
		(Rupees in thousand)	

9.2 Accumulating compensated absences

		2018	2017
Opening balance		122,586	122,042
Expenses recognised		48,705	27,598
Benefits paid		(27,964)	(27,054)
		143,327	122,586
Payable within one year	- note 15	(26,763)	(23,778)
Closing balance		116,564	98,808

9.2.1 Movement in liability for accumulating compensated absences

	2018	2017
Present value of accumulating compensated absences as at beginning of the year	122,586	122,042
Current service cost	26,838	24,249
Interest cost	8,417	7,867
Benefits paid during the year	(27,964)	(27,054)
Remeasurement:		
- Experience adjustments	13,450	(4,518)
Present value of accumulating compensated absences as at June 30	143,327	122,586

9.2.2 Charge for the year (including capitalised during the year)

	2018	2017
Current service cost	26,838	24,249
Interest cost	8,417	7,867
Remeasurement during the year	13,450	(4,518)
Total expense for the year	48,705	27,598
Expense capitalized during the year	(7,156)	(2,018)
Expense charged to the consolidated statement of profit or loss	41,549	25,580

9.2.3 Amounts for current period and previous four annual periods of the present value of accumulating compensated absences are as follows:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
As at June 30					
Present value of accumulating compensated absences	143,327	122,586	122,042	116,910	100,344
Experience adjustment arising on obligation	13,450	(4,518)	(2,180)	302	6,704

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

		2018	2017
Discount rate	Per annum	9.00%	7.75%
Expected rate of increase in salary	Per annum	8.00%	6.75%
Duration of the plan	Number of years	8	8
Expected withdrawal and early retirement rate		SLIC 2001-2005 mortality table	SLIC 2001-2005 mortality table

9.2.5 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	131,381	157,273	157,105	131,325

10. Deferred taxation

		2018	2017
		(Rupees in thousand)	
The liability for deferred taxation comprises taxable/(deductible) temporary differences relating to:			
Deferred tax liability			
Accelerated tax depreciation		4,342,819	5,516,185
Un-realised gain on long term investment		420,407	787,725
Deferred tax assets			
Provision for retirement and other benefits		(71,628)	(58,138)
Available tax credits and losses		(391,737)	-
		4,299,861	6,245,772
The gross movement in net deferred tax liability during the year is as follows:			
Opening balance		6,245,772	5,379,939
(Credited)/charged to other comprehensive income		(374,036)	772,027
(Credited)/charged to consolidated statement of profit or loss	- note 35	(1,570,920)	93,691
Other adjustments		(955)	115
Closing balance		4,299,861	6,245,772

Deferred tax asset on tax losses available for carry forward and minimum tax paid available for carry forward under section 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable. For the purposes of deferred taxation, the tax losses, relating to the Dairy segment, available for carry forward at June 30, 2018 are estimated at approximately Rs 625.551 million (2017: Rs 813.240 million) and minimum tax, relating to the Dairy segment, available for carry forward under section 113 of the Income Tax Ordinance, 2001 is estimated at Rs 3.701 million (2017: Nil). The Group has not recognised deferred tax asset in respect of the above losses 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
2013	196,255	2019
2014	410,782	2020
2017	18,514	2023
	625,551	

In view of anticipated future losses of the Dairy segment, the management feels that timing differences will not reverse for some considerable foreseeable period. Consequently, deferred tax asset to the extent of Rs 156.388 million (2017: Rs 244.062 million) has not been recognised in these consolidated financial statements.

		2018	2017
		(Rupees in thousand)	
11. Trade and other payables			
Trade creditors	- note 11.1	3,605,834	1,617,224
Infrastructure cess		175,795	157,665
Advances from customers		457,552	790,078
Accrued liabilities		2,674,571	2,011,615
Workers' profit participation fund	- note 11.2	407,637	631,567
Workers' welfare fund	- note 11.3	159,110	187,893
Sales tax payable		54	-
Payable to provident fund		290	-
Withholding tax payable		9,299	8,002
Retention money payable		170,382	142,547
Export commission payable		69,484	78,680
Others		57,958	47,963
		7,787,966	5,673,234
11.1 Trade creditors includes amount due to the following related parties:			
Nishat Agriculture Farming (Private) Limited (due to common directorship)		11,161	548
Nishat Developers (Private) Limited (due to common directorship)		4	11
Adamjee Insurance Company Limited (due to common directorship)		-	153
Nishat Mills Limited (Investor)		65	-
Security General Insurance Company Limited (other related party)		7,780	9,542
		19,010	10,254
11.2 Workers' profit participation fund			
Opening balance		631,567	694,111
Provision for the year	- note 32	407,529	623,552
Interest for the year	- note 34	-	5,873
		1,039,096	1,323,536
Payments made during the year		(631,459)	(691,969)
Closing balance		407,637	631,567

		2018	2017
		(Rupees in thousand)	

11.3 Workers' welfare fund

		2018	2017
Opening balance		187,893	167,692
Provision for the year	- note 32	151,856	175,550
		339,749	343,242
Payments made during the year		(180,639)	(155,349)
Closing balance		159,110	187,893

12. Accrued finance cost

	2018	2017
Accrued mark-up on:		
- Long term loans - secured	222,478	170,854
- Short term borrowings - secured	147,550	48,990
	370,028	219,844

13. Short term borrowings - secured

		2018	2017
Short term running finances - secured	- note 13.1	8,986,271	5,361,911
Import finances - secured	- note 13.2	3,338,671	1,412,899
Export finances - secured	- note 13.3	1,290,000	1,840,000
		13,614,942	8,614,810

13.1 Short term running finances - secured

Short term running finances available from various commercial banks under mark up arrangements amount to Rs 14,425 million (2017: Rs 11,320 million). The rates of mark up are based on KIBOR plus spread and range from 6.02% to 7.98% (2017: 6.02% to 7.62%) per annum or part thereof on the balance outstanding. 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

The Group has obtained import finance facilities aggregating to Rs 9,950 million (2017: Rs 8,000 million) from commercial banks. The rates of mark up based on KIBOR plus spread range from 6.13% to 6.56% (2017: 6.10% to 6.34%) per annum and those based on LIBOR plus spread range from 1.35% to 2.50% (2017: 1.00% to 1.90%) per annum. 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, book debts, investments and receivables.

Of the aggregate facility of Rs 15,940 million (2017: Rs 15,852 million) for opening letters of credit and Rs 3,630 million (2017: Rs 2,100 million) for guarantees of the Group other than the Paper segment, the amount utilised as at June 30, 2018 was Rs 3,515 million (2017: Rs 1,563 million) and Rs 1,398 million (2017: Rs 1,066 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Group. Of the facility for guarantees, Rs 14.48 million (2017: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 29.2.

With respect to the Paper segment, of the aggregate facility of Rs 2,680 million (2017: Rs 3,130 million) for opening letters of credit , the amount utilised as at June 30, 2018 was Rs 686 million (2017: Rs 1,146 million).

13.3 Export finances - secured

This represents export finance loans obtained from various commercial banks, which carry mark up based on rates notified by State Bank of Pakistan ranging from 2.25% to 2.35% (2017: 2.25% to 2.35%). 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.

	2018	2017
	(Rupees in thousand)	
14. Loans from related parties - unsecured		
Opening balance	169,000	-
Receipts during the year	45,000	169,000
Closing balance	214,000	169,000

This represents unsecured and interest free loans provided by the three directors (including Chief Executive) of Nishat Dairy (Private) Limited. The loan amount is repayable within one year from the execution date. The un-availed facility of loan as at June 30, 2018 is Nil (2017: Rs 6 million). The loan given by the Chief Executive of Nishat Dairy (Private) Limited is Rs 71.33 million.

		2018	2017
		(Rupees in thousand)	
15. Current portion of non-current liabilities			
Long term finances	- note 7	2,337,647	586,250
Accumulating compensated absences	- note 9.2	26,763	23,778
		2,364,410	610,028

16. Contingencies and commitments

16.1 Contingencies

16.1.1 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.

16.1.2 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. In case of any adverse decision, the management assesses liability to the tune of Rs 233.390 million. Last hearing of the case was conducted on June 25, 2018. 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.

16.1.3 The Competition Commission of Pakistan ('the CCP') took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on 28 October 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 24 August 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 on January 2, 2018. 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.

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

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

16.1.5 The Group, consequent to the order passed by the honourable Supreme Court of Pakistan against the decision of the Sindh High Court in the matter of infrastructure cess, filed a petition before the Sindh High Court, challenging the levy of seventh version of the law enforcing infrastructure cess. Earlier, the Sindh High Court, in August 2008, ruled out that only levies computed against consignments made on or after December 28, 2006 shall be payable by the petitioners. Although the parties have reached an interim arrangement, through an order of Sindh High Court dated May 31, 2011, for release of 50% of the guarantees, the final order from Sindh High Court is still pending. 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.

16.1.6 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 financial statements amounting to Rs 212.239 million.

16.1.7 During the current year, the honourable Supreme Court of Pakistan, while taking notice of water shortage and environmental pollution in Kahoon Valley as well as depletion of water reserves at Katas Raj Pond, alleged that it is being caused by the cement companies operating in its vicinity, one of which is the Cement segment of the Group itself (Khairpur, Chakwal plant). Resultantly, the honourable Supreme Court of Pakistan, vide its order dated May 08, 2018 and subsequent order dated July 10, 2018, directed cement companies in the vicinity to make alternate arrangement of water supply within six months to preserve underground water resources. In the meanwhile, as per the aforesaid order, Government of the Punjab ('GoPb') has been directed to charge the Group for usage of underground water by installing water meters that has not yet been done by GoPb. Subsequent to year end, the Group has furnished Bank Guarantee amounting to Rs 600 million dated July 10, 2018 in favour of honourable Supreme Court of Pakistan on its order that will be encashable by the GoPb if the alternate arrangements to preserve water resources have not been made within the prescribed period.

Group has taken immediate steps to make alternate arrangements such as rain water harvesting, reduction of water consumption by adopting conservation techniques, converting waste heat power generation through steam cycled with special design feature of air cool system. Progress on all alternate measures is satisfactory, rain water reservoir has been constructed and contract has been signed for the supply of air cool waste recovery system. No Objection Certificate (NOC) in respect of alternate arrangements has been obtained from Environment Protection Agency, GoPb.

16.1.8 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 favour 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 favour and no financial obligation is expected to accrue. Consequently, no provision has been made in these consolidated financial statements.

16.1.9 In the year 2014, Group filed a petition before the honourable Islamabad High Court, against the valuation ruling No. 601/2013 which was subsequently superseded by ruling No. 721/2015 issued by the Directorate General of Customs Valuation, Custom House, Karachi ('Custom authorities'). As per the valuation ruling, sack Kraft paper shall be assessed to duty/taxes on fixed rate per kilogram, rather than the transaction value based assessment. The honourable Islamabad High Court on January 23, 2015, while allowing the goods to be released on furnishing of bank guarantee for the different amount, dismissed the aforementioned writ petition due to non-jurisdiction of the Court. Group then filed writ petitions No. 806/2015 and 846/2015 before the honourable Sindh High Court for declaration and permanent injunction to the effect that value of the goods imported by Group to be assessed under section 25(2) of the Customs Act, 1969 (existing transaction value based assessment), that ruling 721/2015 is arbitrary and for restraining the custom authorities from encashment of bank guarantees. The honourable Sindh High Court, while disposing off both the writ petitions in the earlier years, directed the concerned custom authorities to pass a proper speaking assessment order in terms of Section 80 of the Customs Act, 1969 after affording an opportunity of proper hearing to the plaintiff. The Court also restrained encashment of bank guarantees in case of any adverse order unless the plaintiff appeal has been heard at an appellate forum.

Meanwhile Group also filed review petition to Director General of Customs Valuation for revision of ruling 721 and requested to delete Sack Kraft Paper from the valuation ruling. Consequently, upon order of honourable Sindh High Court and presentations made by Group, Group again appealed custom authorities to revise valuation ruling as it is not representing international rates of Kraft paper and make final assessment of goods imported on declared (transaction based) value, the Custom authorities on April 19, 2016 issued fresh valuation ruling No. 833/2016 superseding earlier ruling No. 721/2015 and further deleting Sack Kraft Paper from the ruling. However, the custom authorities decision on account of final assessment of provisionally released Kraft paper earlier imported against bank guarantees was pending.

During the year, the Custom authorities in Karachi finalized assessment of five pending provisionally assessed Goods Declaration (GDs), which were challenged by the Group with Collector of Custom (Appeals). The Custom (Appeals) set aside the above assessment order against which the department filed three appeals in Customs Appellate Tribunal (CAT) Karachi. One of the appeals was dismissed by CAT due to non-prosecution by the Customs department and the other two appeals are pending. Meanwhile, the Custom authorities in Islamabad finalized assessment of 14 pending GDs' through an assessment order and guarantees against these GDs were encashed by bank. The Group filed appeal with Custom (Appeals) against the subject order which is pending adjudication. However, being prudent the Group has made a provision of Rs 874 million (2017: Rs 20.60 million) of custom duties that might be payable representing duty determined as per ruling and actual declared value in these consolidated financial statements.

16.1.10 Group filed an appeal before the Commissioner Inland Revenue (CIR) (Appeals), against the amended assessment order dated December 31, 2014 passed by the Deputy Commissioner Inland Revenue (DCIR) under section 122(9)/122(5A) of the Income Tax Ordinance, 2001 for the tax year 2011. The DCIR through the order made additions under section 21 mainly on account of non-deduction of tax on interest and freight payments thereby reducing the declared loss of tax year 2011 by Rs 56.19 million. Further the amount of refund was reduced by Rs 2.05 million through levy of Workers Welfare Fund. The CIR (Appeals) upheld the additions of Rs 55.63 million as valid against which the Group has filed before 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 favour and no financial obligation is expected to accrue. Consequently, no provision has been made in these consolidated financial statements.

16.1.11 The Group filed an appeal before the Commissioner Inland Revenue (CIR) (Appeals), against the amended assessment order dated 31 January 2018 passed by the Deputy Commissioner Inland Revenue (DCIR) under section 122(1)/122(5) of the Income Tax Ordinance, 2001 for the tax year 2014. The DCIR through the order made additions under section 21 and 111 mainly on account of non-deduction of tax at source, difference in stock value in income tax and sales tax returns and unreconciled receipt from customers thereby reducing the declared loss of tax year 2014 creating impugned demand of Rs 7.55 million. The appeal is pending for adjudication with the CIR (Appeals). The management, based on the advice of its legal counsel, is confident that the matter will be decided in its favour and no financial obligation is expected to accrue. Consequently, no provision has been made in these consolidated financial statements.

16.1.12 The Deputy Commissioner Inland Revenue (DCIR) under section 11(2) along with section 34 of the Sales Tax Act, 1990, in respect of different tax periods from December 2013 to December 2015, vide order dated 10 February 2017 raised an impugned demand of Rs 2.51 million in respect of adjustment of sales tax withholding against output tax along with the imposition of the default surcharge and penalty of Rs 0.62 million and Rs 0.13 million respectively. The Group filed an appeal against the said order with the Commissioner Inland Revenue (CIR) (Appeals). The CIR (Appeals) decided the case in favour of the Group by deleting the impugned demand raised by the DCIR. However, the department filed an appeal against the order of CIR (Appeals) before 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 favour and no financial obligation is expected to accrue. Consequently, no provision has been made in these consolidated financial statements.

16.1.13 The Deputy Commissioner Inland Revenue (DCIR) made an assessment under section 161/205 of the Income Tax Ordinance, 2001 pertaining for the tax year 2009 thereby raising a demand of Rs 3.53 million on account of non-deduction of tax at source under different heads. Being aggrieved, the Group filed an appeal before the Commissioner Inland Revenue (CIR) (Appeals), who after going through the arguments of the case along with the details provided thereto deleted tax as imposed under different heads and set-aside in respect of the other heads for reconsideration. The department went into appeal against the order of CIR (Appeals) before the Appellate Tribunal Inland Revenue, Lahore (ATIR). The case has been heard and decision is pending. The management, based on the advice of its legal counsel, is confident that the matter will be decided in its favour and no financial obligation is expected to accrue. Consequently, no provision has been made in these consolidated financial statements.

16.1.14 The Group has issued the following guarantees in favour of:

- Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise amounting to Rs 34.136 million (2017: Rs 36.186 million).

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 605.9 million (2017: Rs 575.9 million).

- Director General, Mines and Minerals, Punjab against installation of plant at Khairpur, amounting to Rs 3 million (2017: Rs 3 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 (2017: 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 427.606 million (2017: Rs 427.606 million).

- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs 0.05 million (2017: Rs 0.05 million).

- Sindh High Court against levy of Sales Tax, custom duty and excise amounting to Rs 176.860 million (2017: Rs 15.423 million).

- The Managing Director, Lahore Waste Management Company ('LWMC') against the performance of a contract amounting to Rs 5 million (2017: Rs 5 million).

- Export orders amounting to Rs 2.432 million (2017: Rs 2.097 million).

- K-Electric Limited against supply of electricity to Hub Plant amounting to Rs 142.4 million (2017: Nil).

- 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 (2017: Rs 16 million).

- Collector of Customs, Karachi against temporary import of livestock items amounting to Nil (2017: Rs 3.98 million).

- Metro Habib Cash and Carry against purchase of goods and supplies on credit amounting to Rs 2 million (2017: Rs 2 million).

- Sui Northern Gas Pipelines Limited against connection of gas supply for Sukheki Farm amounting to Rs 26.6 million (2017: Rs 26.6 million).

- Directorate General of Customs Valuation, Custom House Karachi on account of valuation ruling amounting to Rs 25.19 million (2017: Rs 50.39 million).

- The Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs 66.91 million (2017: Rs 56.92 million).

16.2 Commitments in respect of:

(i) Contracts for capital expenditure Rs 224.277 million (2017: Rs 904.364 million)

(ii) Letters of credit for capital expenditure Rs 235.266 million (2017: Rs 773.728 million)

(iii) Letters of credit other than capital expenditure Rs 3,685.854 million (2017: Rs 1,087.394 million).

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

	2018	2017
	(Rupees in thousand)	
Not later than one year	331	331
Later than one year and not later than five years	1,325	1,325
Later than five years	4,307	4,645
	5,963	6,301

17. Property, plant and equipment

		2018	2017
Operating fixed assets	- note 17.1	77,509,420	34,336,559
Capital work-in-progress	- note 17.2	2,981,059	31,379,314
Major spare parts and stand-by equipment	- note 17.3	91,766	94,139
		80,582,245	65,810,012

17.1 Operating fixed assets

2018 (Rupees in thousand)

		Annual rate of depreciation %	Cost as at July 01, 2017	Additions/ (Deletions)	Cost as at 30 June 2018	Accumulated depreciation as at July 01, 2017	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Accumulated depreciation as at June 30, 2018	Book value as at June 30, 2018
Freehold land	- note 18.1.2	-	1,922,356	202,663	2,125,019	-	-	-	-	2,125,019
Leasehold land		3.33	63,000	-	63,000	19,950	2,100	-	22,050	40,950
Buildings on freehold land										
- Factory building		5 to 10	9,926,860	12,270,389	21,939,678	4,629,409	619,648	106,507	5,270,627	16,669,051
				(257,571)			(84,937)			
- Office building and housing										
colony		5	1,294,498	1,411,901	2,706,399	404,040	112,597	-	516,637	2,189,762
Roads		10	654,953	827,897	1,470,283	377,906	35,053	-	408,603	1,061,680
				(12,567)			(4,356)			
Plant and machinery	- note 17.1.4	3.33 to 60	38,522,973	27,447,033	65,955,749	14,416,705	1,484,497	1,163,613	17,059,524	48,896,225
				(14,257)			(5,291)			
Factory and quarry equipment		10 to 20	2,128,388	1,886,974	4,015,362	1,459,188	122,633	-	1,581,821	2,433,541
Furniture, fixture and										
office equipment		10 to 30	559,091	184,858	743,808	238,701	39,318	-	277,961	465,847
				(141)			(58)			
Vehicles		20	668,837	153,892	762,505	263,076	81,899	-	311,095	451,410
				(60,224)			(33,880)			
Aircraft		30	328,752	-	328,752	267,525	18,352	-	285,877	42,875
Power and water supply lines		10	713,126	2,849,250	3,552,177	369,775	53,010	-	419,117	3,133,060
				(10,199)			(3,668)			
			56,782,834	47,234,857	103,662,732	22,446,275	2,569,107	1,270,120	26,153,312	77,509,420
				(354,959)			(132,190)			

				2017				(Rupees in thousand)	
	Annual rate of depreciation %	**Cost as at July 01, 2016**	**Additions/ (Deletions)**	**Cost as at 30 June 2017**	**Accumulated depreciation as at July 01, 2016**	**Depreciation charge/ (deletions) for the year**	**Impairment charge for the year**	**Accumulated depreciation as at June 30, 2017**	**Book value as at June 30, 2017**
Freehold land	-	1,883,831	38,525	1,922,356	-	-	-	-	1,922,356
Leasehold land	3.33	63,000	-	63,000	17,850	2,100	-	19,950	43,050
Buildings on freehold land									
- Factory building	5 to 10	9,705,001	221,859	9,926,860	4,057,252	572,157	-	4,629,409	5,297,451
- Office building and housing colony	5	1,265,298	29,200	1,294,498	358,190	45,850	-	404,040	890,458
Roads	10	588,599	66,354	654,953	349,373	28,533	-	377,906	277,047
Plant and machinery	3.33 to 10	37,687,903	852,612	38,522,973	13,012,731	1,410,047	-	14,416,705	24,106,268
			(17,542)			(6,073)			
Factory and quarry equipment	10 to 20	2,109,666	18,722	2,128,388	1,351,515	107,673	-	1,459,188	669,200
Furniture, fixture and									
office equipment	10 to 30	519,948	39,664	559,091	203,592	35,339	-	238,701	320,390
			(521)			(230)			
Vehicles	20	580,182	123,240	668,837	211,388	72,615	-	263,076	405,761
			(34,585)			(20,927)			
Aircraft	30	328,752	-	328,752	241,309	26,216	-	267,525	61,227
Power and water supply lines	10	691,796	21,330	713,126	332,538	37,237	-	369,775	343,351
		55,423,976	1,411,506	56,782,834	20,135,738	2,337,767	-	22,446,275	34,336,559
			(52,648)			(27,230)			

17.1.1 Freehold land and building includes book values of Rs 12 million (2017: Rs 12 million) and Rs 5.220 million (2017: Rs 5.495 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.

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

Cement Segment

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
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

Agriculture Segment

Location	Usage of immovable property	Total Area (in Acres)
Moza Katrani, Hafizabad	Farm Lands and related buildings	191.05

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

		2018	2017
		(Rupees in thousand)	
Cost of sales	- note 29	2,490,437	2,253,628
Administrative expenses	- note 30	73,085	79,496
Selling and distribution expenses	- note 31	5,585	4,643
		2,569,107	2,337,767

17.1.4 Impairment of plant and machinery

The Group has a Waste Heat to Energy Power Plant (the 'WHEPP') installed at plant at Khairpur that had a carrying amount of Rs 2,000.058 million before impairment. The WHEPP's failure to achieve ideal performance parameters indicated that it may be impaired. Consequently, the Group carried out an impairment test of the WHEPP wherein it determined its recoverable amount to be Rs 729.938 million based on higher of 'fair value less costs of disposal' and 'value in use'. Resultantly, the recoverable amount was determined to be lower than its carrying amount and the Group has recognised an impairment loss of Rs 1,270.120 million in the consolidated statement of profit or loss for the year in 'Other expenses'. Management involved an expert (professional valuer) to determine the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. Furthermore, as a result of its underperformance, the WHEPP supplier, FLSmidth A/S, Denmark, through a settlement agreement, has agreed to compensate the Group for an amount of USD 7.5 million (equivalent to Rs 910.5 million translated on the exchange rate at the reporting date) that has been recognised as 'Other income' in the consolidated statement of profit or loss for the year.

17.1.5 Disposal of operating fixed assets

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

2018 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sales proceeds	Gain / (Loss) on disposal	Mode of disposal
Factory building	Demolished as no longer usable	257,571	172,634	-	(172,634)	Scrapped
Plant and machinery	Nishat Mills Limited - related party (Investor)	14,257	8,966	9,000	34	Negotiation
Roads	Demolished as no longer usable	12,567	8,211	-	(8,211)	Scrapped
Power and water supply lines	-do-	10,199	6,531	-	(6,531)	Scrapped
Vehicles	**Employee**					
	Khalid Chohan	2,469	1,309	1,825	516	Negotiation
	Outside parties					
	Muhammad Naeem	1,846	1,094	1,838	744	Auction
	Muhammad Abbas	1,646	1,081	1,081	-	-do-
	Adnan Naseer	5,202	2,374	3,152	778	-do-
	Adnan Naseer	2,467	1,020	1,558	538	-do-
	Muhammad Saeed	2,467	955	1,877	922	-do-
	Waqqas Pasha	20,082	7,752	7,500	(252)	-do-
	Rafi-Ur-Rehman	1,971	1,203	1,221	18	-do-
	Muhammad Ansar Khan	1,524	528	1,338	810	-do-
	Adnan Naseer	5,202	2,374	3,052	678	-do-
	Khurram Imtiaz	1,758	819	1,437	618	-do-
	Security General Insurance Company Limited - related party (other related party)	683	519	683	164	Insurance claim
	Security General Insurance Company Limited - related party (other related party)	2,222	2,155	2,172	17	-do-
	Items with net book value less than Rs 500,000	10,826	3,244	7,818	4,574	As per Group's policy
		354,959	222,769	45,552	(177,217)	

2017 (Rupees in thousand)

Particulars of assets	Sold to	Cost	Book value	Sales proceeds	Gain / (Loss) on disposal	Mode of disposal
Plant and machinery	**Outsiders**					
	Munir Mubarik Ali	5,499	3,636	710	(2,926)	Negotiation
	Retired as no longer usable	12,043	7,833	-	(7,833)	Scrapped
Office equipment	Items with net book value less than Rs 500,000	521	291	50	(241)	As per Group's policy
Vehicles	**Employees**					
	Iftikhar Baig	1,646	1,272	1,290	18	Negotiation
	Muhammad Rafi	1,793	503	1,133	630	-do-
	Items with net book value less than Rs 500,000	2,392	802	1,250	448	As per Group's policy
	Outside parties					
	Nisar Ahmed	2,040	871	1,420	549	Auction
	Abid Ansar	1,454	525	1,176	651	-do-
	Muhammad Aslam	1,920	684	1,330	646	-do-
	Awais Ahmad Khan	5,399	1,342	1,400	58	-do-
	Muhammad Mohsin	1,495	611	1,363	752	-do-
	Faisal Mujeeb	2,467	1,052	1,800	748	-do-
	Muhammad Mohsin	1,461	573	1,368	795	-do-
	Security General Insurance Company Limited - related party (other related party)	1,716	1,562	1,631	69	-do-
	Items with net book value less than Rs 500,000	10,802	3,861	8,137	4,276	As per Group's policy
		52,648	25,418	24,058	(1,360)	

17.2 Capital work-in-progress

2018 (Rupees in thousand)

	Balance as at June 30, 2017	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 - note 17.2.1	Balance as at June 30, 2018
Civil works	288,412	190,916	-	(1,635)	(894)	(252,116)	224,683
Plant and machinery	671,644	844,644	-	(69)	(403,279)	(351,653)	761,287
Advances to suppliers and contractors	204,820	204,414	-	(991)	(384,767)	(5,911)	17,565
Others	1,875	53,235	-	-	400	(53,925)	1,585
Expansion Project:							
- Civil works	7,807,172	1,763,150	-	-	1,130,982	(10,205,218)	496,086
- Plant and machinery	18,086,304	3,901,585	-	-	1,388,505	(23,071,631)	304,763
- Advances to suppliers and contractors	1,370,303	1,534,403	-	-	(1,729,616)	-	1,175,090
- Others	2,948,784	7,684,348	1,052,872	(139,223)	(1,331)	(11,545,450)	-
	30,212,563	14,883,486	1,052,872	(139,223)	788,540	(44,822,299)	1,975,939
	31,379,314	16,176,695	1,052,872	(141,918)	-	(45,485,904)	2,981,059

17.2.1 Transfers to operating fixed assets during the year mainly include the complete cement production facility and related assets installed at Hub. These assets were in the location and condition necessary for them to be capable of operating in the manner intended by management in June 2018.

2017 (Rupees in thousand)

	Balance as at June 30, 2016	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	Balance as at June 30, 2017
Civil works	315,300	468,082	-	-	(146,467)	(348,503)	288,412
Plant and machinery	555,873	377,680	-	-	146,880	(408,789)	671,644
Advances to suppliers and contractors	32,100	292,538	-	-	-	(119,818)	204,820
Others	2,955	15,019	-	-	(268)	(15,831)	1,875
Expansion Project:							
- Civil works	1,985,126	5,838,897	-	-	(16,851)	-	7,807,172
- Plant and machinery	2,959,070	15,111,758	-	-	15,476	-	18,086,304
- Advances to suppliers and contractors	1,104,847	265,456	-	-	-	-	1,370,303
- Others	728,739	1,891,382	327,433	-	1,230	-	2,948,784
	6,777,782	23,107,493	327,433	-	(145)	-	30,212,563
	7,684,010	24,260,812	327,433	-	-	(892,941)	31,379,314

		2018	2017
		(Rupees in thousand)	

17.3 Major spare parts and stand-by equipment

		2018	2017
The reconciliation of carrying amount is as follows:			
Balance at the beginning of the year		94,139	95,368
Additions during the year		609	200,207
		94,748	295,575
Transfers made during the year		(2,982)	(201,436)
Balance at the end of the year		91,766	94,139

18. This represents dairy livestock. It consists of the following:

		2018	2017
- Mature		512,187	417,156
- Immature		122,832	174,104
- Bulls		1,384	319
	- note 18.1	636,403	591,579

18.1 Reconciliation of carrying amounts of dairy livestock

		2018	2017
Opening balance		591,579	660,491
Increase due to purchases during the year		-	137,377
		591,579	797,868
Fair value gain due to new births		58,873	37,072
Changes in fair value (due to price change and biological transformation)	- note 18.4	183,563	(47,089)
		242,436	(10,017)
Decrease due to deaths/ livestock losses		(67,601)	(59,164)
Decrease due to disabilities/abortions		-	(6,087)
Decrease due to sale of livestock		(130,011)	(131,021)
		(197,612)	(196,272)
Carrying amount at the end of the year which approximates the fair value		636,403	591,579

18.2 As at June 30, 2018, the Group held 2,989 (2017: 2,773) mature assets able to produce milk and 2,284 (2017: 2,805) immature assets that are being raised to produce milk in the future. During the year, 1,088 (2017: 985) cows were sold. During the year, the Group produced approximately 21.697 million (2017: 18.746 million) gross litres of milk from these biological assets. As at June 30, 2018, the Group also held 21 (2017: 76) immature male calves.

18.3 The valuation of dairy livestock as at June 30, 2018, 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, 2018. 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.

18.4 This includes exchange gain on translation amounting to Rs 87.021 million (2017 : Rs 1.693 million).

		2018	2017
		(Rupees in thousand)	

19. Investments

These represent the long term investments in:

		2018	2017
- Related parties	- note 19.1	13,695,382	15,987,354
- Others	- note 19.2	164,170	138,727
		13,859,552	16,126,081

19.1 Related parties

		2018	2017
Available-for-sale - quoted:			
Nishat (Chunian) Limited - other related party			
7,173,982 (2017: 7,173,982) fully paid ordinary shares of Rs 10 each			
Equity held: 2.99% (2017: 2.99%)			
Cost - Rs 75.565 million (2017: Rs 75.565 million)		340,621	368,169
MCB Bank Limited - other related party			
22,082,793 (2017: 21,855,591) fully paid ordinary shares of Rs 10 each			
Equity held: 1.87% (2017: 1.96%)			
Cost - Rs 286.456 million (2017: Rs 241.205 million)		4,367,314	4,599,037
Adamjee Insurance Company Limited - other related party			
27,299,235 (2017: 25,055,735) fully paid ordinary shares of Rs 10 each			
Equity held: 7.78% (2017: 7.16%)			
Cost - Rs 1,335.479 million (2017: Rs 1,195.431 million)			
Cumulative impairment loss - Rs 118.703 million (2017: Rs 118.703 million)		1,326,881	1,712,810
Nishat Mills Limited - Investor			
30,289,501 (2017: 30,289,501) fully paid ordinary shares of Rs 10 each			
Equity held: 8.61% (2017: 8.61%)			
Cost - Rs 1,577.174 million (2017: Rs 1,577.174 million)			
Cumulative impairment loss - Rs 250.615 million (2017: Rs 250.615 million)		4,268,396	4,806,338
	sub-total	10,303,212	11,486,354
Available-for-sale - unquoted			
Nishat Hotels and Properties Limited - other related party			
100,000,000 (2017: 100,000,000) fully paid ordinary shares of Rs 10 each			
Equity held: 10.42% (2017: 10.42%)			
Cost - Rs 1,000 million (2017: Rs 1,000 million)	- note 19.1.1	3,242,170	4,501,000
Hyundai Nishat Motor (Private) Limited - other related party			
15,000,000 (2017: Nil) fully paid ordinary shares of Rs 10 each			
Equity held: 10% (2017: Nil)			
Cost - Rs 150 million (2017: Nil)	- note 19.1.2	150,000	-
		3,392,170	4,501,000
		13,695,382	15,987,354

19.1.1 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 32.42 per ordinary share as at June 30, 2018 through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 44.3 to these consolidated financial statements. The fair value loss of Rs 1,258.830 million is included in the fair value loss recognised during the year in other comprehensive income.

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

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

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

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

- Discount rate of 9.41%.

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

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

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, 2018 would be Rs 811.488 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, 2018 would be Rs 542.901 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2018 would be Rs 34.852 million lower.

19.1.2 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited that is in the process of setting up a greenfield project for assembly and sales of Hyundai Motor Company passenger and commercial vehicles.

	2018	2017
	(Rupees in thousand)	
19.2 Others		
Available-for-sale:		
Pakistan Petroleum Limited - quoted		
595,382 (2017: 595,382) fully paid ordinary shares of Rs 10 each		
Equity held: 0.03% (2017: 0.03%)		
Cost - Rs 117.405 million (2017: Rs 117.405 million)	127,948	88,199
United Bank Limited - quoted		
214,354 (2017: 214,354) fully paid ordinary shares of Rs 10 each		
Equity held: 0.02% (2017: 0.02%)		
Cost - Rs 33.646 million (2017: Rs 33.646 million)	36,222	50,485
NIB Bank Limited - quoted		
Nil (2017: 25,000) fully paid ordinary shares of Rs 10 each		
Equity held: Nil (2017: 0.00%)		
Cost - Nil (2017: Rs 0.047 million)	-	43
	164,170	138,727

19.3 Reconciliation of carrying amount

	2018	2017
Balance as at beginning of the year	16,126,081	10,441,240
Investments made during the year	335,204	349,770
	16,461,285	10,791,010
Fair value (loss)/gain recognized in other comprehensive income	(2,601,733)	5,336,351
	13,859,552	16,127,361
Derecognition of investment during the year	-	(1,280)
Balance as at end of the year	13,859,552	16,126,081

19.4 3,860,267 (2017: 3,860,267) shares of MCB Bank Limited are blocked in Central Depository Company ('CDC') account.

19.5 Investments in associated companies have been made in accordance with the requirements under the companies Act, 2017.

20. 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.

21. Stores, spares and loose tools

	2018	2017
	(Rupees in thousand)	
Stores [including in transit: Rs 84.775 million (2017: Rs 196.426 million)]	1,822,886	1,934,567
Spare parts [including in transit Rs 103.991 million (2017: Rs 10.289 million)]	3,433,700	3,141,982
Loose tools	15,606	6,462
	5,272,192	5,083,011

21.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

22. Stock-in-trade

		2018	2017
		(Rupees in thousand)	
Raw materials [including in transit Rs 405.710 million (2017: Rs 174.89 million)]	- note 22.1	969,485	486,910
Packing material [including in transit amounting to Nil (2017: Rs 0.286 million)]		206,060	122,010
Animal forage		223,725	232,512
Work-in-process	- note 22.2	493,431	522,557
Finished goods	- note 22.3	535,499	431,356
		2,428,200	1,795,345

22.1 Includes raw meal costing Rs 62.83 million (2017: Nil) carried at its NRV amounting to Rs 48.98 million. The NRV write down expense of Rs 13.85 million has been charged to cost of sales.

22.2 Includes clinker costing Rs 138.06 million (2017: Nil) carried at its NRV amounting to Rs 5.63 million. The NRV write down expense of Rs 132.43 million has been charged to cost of sales.

22.3 Includes cement costing Rs 69.10 million (2017: Nil) carried at its NRV amounting to Rs 29.75 million. The NRV write down expense of Rs 39.35 million has been charged to cost of sales.

23. Trade debts

		2018	2017
		(Rupees in thousand)	
Considered good			
Secured	- note 23.1	181,777	195,044
Unsecured			
- Related parties	- note 23.2	6,418	25,138
- Others		331,607	277,566
		519,802	497,748
Considered doubtful		3,466	3,466
		523,268	501,214
Provision for doubtful debts	- note 23.3	(3,466)	(3,466)
		519,802	497,748

23.1 Includes receivable from foreign parties in the following jurisdictions against export sales:

Jurisdiction	Type of transaction	2018	2017
		(Rupees in thousand)	
India	Contract	111,055	154,674
India	Confirmed letter of credit	3,667	944
		114,722	155,618

	2018	2017
	(Rupees in thousand)	

23.2 Related parties

Nishat Hospitality (Private) Limited (other related party)	537	537
Nishat Linen (Private) Limited (due to common directorship)	-	221
Nishat Hotels and Properties Limited (due to common directorship)	220	809
Nishat Mills Limited (Investor)	5,619	23,075
Nishat Agriculture Farming (Private) Limited (other related party)	-	66
Nishat (Chunian) Limited (other related party)	42	430
	6,418	25,138

23.2.1 The maximum aggregate amount outstanding at the end of any month during the year was Rs 6.842 million (2017: Rs 25.138 million). Age analysis of the above receivables is disclosed in note 44.1.

	2018	2017
	(Rupees in thousand)	
23.3 The reconciliation of carrying amount is as follows:		
Balance as at beginning of the year	3,466	-
Provision created during the year	-	3,466
Balance as at end of the year	3,466	3,466

24. Investments

Available-for-sale - quoted			
Related parties	- note 24.1	16,018,594	17,044,085
At fair value through profit or loss			
Others		35	57
		16,018,629	17,044,142

24.1 This represents the following quoted investments in other related parties:

Nishat (Chunian) Limited - other related party		
100,620 (2017: 100,620) fully paid ordinary shares of Rs 10 each		
Equity held: 0.042% (2017: 0.042%)		
Cost - Rs 0.832 million (2017: Rs 0.832 million)	4,777	5,165
MCB Bank Limited - other related party		
80,971,917 (2017: 80,971,917) fully paid ordinary shares of Rs 10 each		
Equity held: 7.27% (2017: 7.27%)		
Cost - Rs 478.234 million (2017: Rs 478.234 million)	16,013,817	17,038,920
	16,018,594	17,044,085

24.2 Reconciliation of carrying amount

Opening balance	17,044,142	17,819,046
Fair value loss recognized in other comprehensive income	(1,025,491)	(774,919)
Fair value (loss)/gain recognized in profit or loss	(22)	15
Closing balance	16,018,629	17,044,142

		2018	2017
		(Rupees in thousand)	

25. Loans, advances, deposits, prepayments and other receivables

		2018	2017
Current portion of loans to employees - considered good		1,336	1,509
Advances - considered good			
- To employees		13,794	7,756
- To suppliers		1,065,094	104,157
		1,078,888	111,913
Prepayments		15,731	20,862
Due from related parties	- note 25.1	5,937	5,994
Letters of credit - margins, deposits, opening charges, etc.		10,919	46,005
Balances with statutory authorities:			
- Sales tax	- note 25.2	756,804	1,417,729
- Excise duty		20,625	352,364
- Export rebate		10,534	18,234
		787,963	1,788,327
Other receivables			
- Considered good		12,760	8,818
- Considered doubtful	- note 25.3	1,342	1,342
		14,102	10,160
Compensation receivable	- note 33.3	910,500	-
		2,825,376	1,984,770
Provision for doubtful receivables		(1,342)	(1,342)
		2,824,034	1,983,428

25.1 This represents receivable from the following related parties:

		2018	2017
Nishat Mills Limited (Investor)		-	536
Nishat Hotels and Properties Limited (due to common directorship)	- note 25.1.1	5,937	5,458
	- note 25.1.2	5,937	5,994

25.1.1 This represents mark-up receivable against the loan as referred to in note 26.

25.1.2 The maximum aggregate amount outstanding at the end of any month during the year was Rs 6.015 million (2017: Rs 5.639 million). The receivable is neither past due nor impaired.

25.2 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 16.

25.3 The reconciliation of carrying amount is as follows:

	2018	2017
	(Rupees in thousand)	
Balance as at beginning of the year	-	-
Provision made during the year	-	1,342
Balance as at end of the year	-	1,342

26. Loan to related party - considered good

This represents loan amounting to Rs 1,000 million to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The loan was disbursed in November 2016. The loan carries mark-up at the rate of 3 months KIBOR + 0.5% per annum, payable on a monthly basis. The entire amount of the loan is repayable on October 27, 2018. 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 6.78% per annum which is above the borrowing cost of the Cement Segment. In case of default in payment of principal or mark-up, the borrower shall be liable to pay additional sum equivalent to 7.5% per annum of respective amount of default. The loan and its terms were approved in the Annual General Meeting held on October 28, 2017 through a special resolution and was made in accordance with the requirements of the Act.

27. Cash and bank balances

		2018	2017
		(Rupees in thousand)	
At banks:			
Saving accounts			
Local currency	- note 27.1 & 27.2	184,760	140,157
Foreign currency: USD 290,246 (2017: USD 93,360)		35,236	9,787
Current accounts		276,032	298,673
		496,028	448,617
In hand		2,945	1,911
		498,973	450,528

27.1 The balances in saving accounts bear mark-up at 2% to 4.5% per annum (2017: 2% to 3.75% per annum).

27.2 Included in balances at banks on saving accounts are Rs 14.480 million (2017: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 13.2.

28. Sales

		2018	2017
		(Rupees in thousand)	
Local sales		43,983,368	39,751,926
Export sales	- note 28.1	2,729,855	3,394,074
		46,713,223	43,146,000
Less:			
Sales tax		7,235,366	6,415,150
Excise duty		5,626,078	3,968,293
Commission to stockists and export agents		386,923	287,410
		13,248,367	10,670,853
		33,464,856	32,475,147

28.1 Export sales include rebate on exports amounting to Rs 13.050 million (2017: Rs 16.130 million).

		2018	2017
		(Rupees in thousand)	

29. Cost of sales

Raw and packing materials consumed		3,755,571	2,845,607
Forage		890,840	752,331
Medicines and related items		115,336	105,738
Salaries, wages and other benefits	- note 29.1	2,225,891	1,993,082
Electricity and gas		2,523,185	2,405,680
Furnace oil and coal		9,736,435	8,166,143
Stores and spares consumed		1,997,473	1,545,309
Repairs and maintenance		458,318	329,595
Insurance		60,251	60,819
Depreciation on operating fixed assets	- note 17.1.2	2,490,437	2,253,628
Royalty	- note 29.2	348,903	339,736
Excise duty		33,437	32,143
Vehicle running		35,099	29,480
Postage, telephone and telegram		5,798	6,232
Printing and stationery		11,283	10,452
Legal and professional charges		2,579	3,072
Travelling and conveyance		16,546	22,279
Plant cleaning and gardening		35,077	33,946
Rent, rates and taxes		80,055	79,862
Freight charges		34,195	35,608
Other expenses		77,111	97,498
		24,933,820	21,148,240
Opening work-in-process	- note 22	522,557	166,940
Closing work-in-process	- note 22	(493,431)	(522,557)
		29,126	(355,617)
Cost of goods manufactured		24,962,946	20,792,623
Opening stock of finished goods	- note 22	431,356	292,094
Closing stock of finished goods	- note 22	(535,499)	(431,356)
		(104,143)	(139,262)
Own consumption		(211,045)	(305,235)
		24,647,758	20,348,126

29.1 Salaries, wages and other benefits include Rs 53.660 million (2017: Rs 46.827 million), Rs 36.860 million (2017: Rs 29.010 million) and Rs 30.596 million (2017: Rs 18.771 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences as detailed below.

	2018	2017
	(Rupees in thousand)	

29.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2018	2017
Gratuity		
Current service cost	33,270	29,195
Interest cost for the year	22,966	17,871
Interest income on plan assets	(19,376)	(18,056)
	36,860	29,010
Accumulating compensated absences		
Current service cost	16,859	16,492
Interest cost for the year	5,288	5,351
Remeasurements	8,449	(3,072)
	30,596	18,771

29.2 This represents royalty to Government of the Punjab for extraction of raw materials of the cement segment as per applicable law.

30. Administrative expenses

		2018	2017
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 30.1	398,013	345,611
Electricity, gas and water		18,293	17,057
Repairs and maintenance		10,825	8,464
Insurance		4,943	4,494
Depreciation on operating fixed assets	- note 17.1.2	73,085	79,496
Vehicle running		12,996	11,026
Postage, telephone and telegram		15,894	12,118
Printing and stationery		7,726	9,299
Legal and professional services	- note 30.2	44,630	20,190
Travelling and conveyance		39,385	30,807
Rent, rates and taxes		361	472
Entertainment		4,643	3,574
School expenses		30,954	28,946
Fee and subscription		25,327	28,714
Provision for doubtful debts / advances		34	4,814
Other expenses		19,039	12,304
		706,148	617,386

30.1 Salaries, wages and other benefits include Rs 12.535 million (2017: Rs 10.704 million), Rs 8.848 million (2017: Rs 7.682 million) and Rs 7.303 million (2017: Rs 5.186 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences as detailed below.

		2018	2017
		(Rupees in thousand)	

30.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2018	2017
Gratuity		
Current service cost	7,986	7,731
Interest cost for the year	5,513	4,732
Interest income on plan assets	(4,651)	(4,781)
	8,848	7,682
Accumulating compensated absences		
Current service cost	4,024	3,991
Interest cost for the year	1,262	1,295
Remeasurements	2,017	(744)
	7,303	4,542

30.2 Legal and professional charges

Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:

	2018	2017
Statutory audit	4,246	3,983
Half-yearly review	846	733
Tax services	13,378	3,294
Certification required under various regulations	483	93
Out of pocket expenses	1,061	905
	20,014	9,008

31. Selling and distribution expenses

		2018	2017
Salaries, wages and other benefits	- note 31.1	161,623	143,715
Electricity, gas and water		2,494	2,004
Repairs and maintenance		635	719
Insurance		1,927	1,992
Depreciation on operating fixed assets	- note 17.1.2	5,585	4,643
Vehicle running		4,851	4,085
Postage, telephone and telegram		2,190	1,892
Printing and stationery		2,078	1,714
Rent, rates and taxes		2,324	2,655
Legal and professional charges		-	100
Travelling and conveyance		3,632	3,286
Entertainment		1,301	923
Advertisement and sales promotion		25,522	12,815
Freight and handling charges		704,371	805,986
Other expenses		1,333	10,060
		919,866	996,589

31.1 Salaries, wages and other benefits include Rs 5.223 million (2017: Rs 5.664 million), Rs 4.359 million (2017: Rs 3.756 million) and Rs 3.650 million (2017: Rs 2.267 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences as detailed below.

		2018	2017
		(Rupees in thousand)	

31.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

	2018	2017
Gratuity		
Current service cost	3,934	3,780
Interest cost for the year	2,716	2,314
Interest income on plan assets	(2,291)	(2,338)
	4,359	3,756
Accumulating compensated absences		
Current service cost	2,011	1,992
Interest cost for the year	631	646
Remeasurements	1,008	(371)
	3,650	2,267

32. Other expenses

		2018	2017
Workers' profit participation fund	- note 11.2	407,529	623,552
Workers' welfare fund	- note 11.3	151,856	175,550
Donations	- notes 32.1 & 32.2	101,750	50,589
Impairment on operating fixed assets	- note 17.1.4	1,270,075	-
Realized loss on derivative financial instrument		-	5,650
Un-realized loss on derivative financial instrument		-	48,056
Exchange loss		305,616	19,535
Loss on disposal of operating fixed assets	- note 17.1.5	177,217	1,360
Loss on disposal of biological assets		131,897	146,160
Loss on sale of store items		-	158
Fair value loss on investments at fair value through profit or loss		22	-
Others		20	5,465
		2,545,982	1,076,075

32.1 Includes donation amounting to Rs 1 million made to Dera Ghazi Khan Officers Club (2017: Nil). Further, it includes donations in which the interest of a Director in the donee is as follows:

Name and address of donee	Director of the Company	Interest in Donee	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Saleem Memorial Trust Hospital, 31-Q, Gulberg II, Lahore	Mian Raza Mansha	Director	100,000	50,000

		2018	2017
		(Rupees in thousand)	

33. Other income

		2018	2017
Income on bank deposits		11,045	101,832
Gain on investments at fair value through profit or loss		-	15
Provisions and unclaimed balances written back		11	8,381
Mark-up on loan / advances to:			
- Related parties	- note 33.1	67,813	38,796
- Others		-	210
		67,813	39,006
Realized gain on derivative financial instruments		12,979	-
Gain on disposal of available-for-sale investments		-	1,280
Earned discount		844	-
Gain on disposal of store items		52	-
Dividend income from:			
- Related parties	- note 33.2	1,886,893	1,904,471
- Others		8,742	6,738
		1,895,635	1,911,209
Scrap sales		93,479	33,485
Rental income		483	512
Compensation from supplier	- note 33.3	910,500	-
Sale of bull calves		7,002	12,009
Others		2,135	2,733
		3,001,978	2,110,462

33.1 This is from Nishat Hotels and Properties Limited, a related party due to common directorship, on the loan as referred to in note 26.

33.2 Dividend income from related parties

	2018	2017
	(Rupees in thousand)	
Nishat Mills Limited (Investor)	151,447	151,448
MCB Bank Limited (other related party)	1,648,477	1,641,982
Adamjee Insurance Company Limited (other related party)	66,965	92,855
Nishat Chunian Limited (other related party)	20,004	18,186
	1,886,893	1,904,471

33.3 This represents compensation for WHEPP for underperformance as fully explained in note 17.1.4 to these consolidated financial statements.

34. Finance cost

		2018	2017
		(Rupees in thousand)	
Interest and mark-up on:			
- Long term loans - secured		130,561	191,450
- Short term borrowings - secured		411,496	168,468
- Workers' profit participation fund	- note 11.2	-	5,873
Guarantee commission		4,707	6,503
Bank charges		27,805	39,843
		574,569	412,137

		2018	2017
		(Rupees in thousand)	

35. Taxation

		2018	2017
Current			
- For the year		5,507	3,290,155
- Prior years		(58,181)	(112,031)
		(52,674)	3,178,124
Deferred	- note 10	(1,570,920)	93,691
	- note 35.1	(1,623,594)	3,271,815

35.1 This includes investment tax credit amounting to Rs 3,091.395 million arising primarily on the installation of plant and machinery of the cement production facility during the year at Hub entitled under section 65B of the Income Tax Ordinance, 2001. Such investment tax credit has been adjusted against the income tax liability for the year which includes the tax under normal tax regime of the Income Tax Ordinance, 2001 ('the Ordinance') at the rate of 30%, tax on exports and dividend income which is full and final discharge of Group's tax liability in respect of income arising from such source and tax on capital gains under section 37A of the Ordinance. After adjustment against income tax liability for the year, the investment tax credit of Rs 274.272 million could not be adjusted for the year and is carried forward to be adjusted in next two years. The carried forward investment tax credit has been recognised as a deferred tax asset.

35.2 By virtue of amendments introduced through Finance Act 2018, the provisions of section 5A of the Ordinance have been amended to the effect that 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 parent company has distributed cash dividends in excess of 20% of its after tax profits for the tax year 2017.

35.3 Tax charge reconciliation

	2018 %	2017 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate of:	30.00	31.00
Tax effect of:		
- Amounts that are not deductible for tax purposes - net	1.01	0.62
- Change in prior years' tax	(0.72)	(1.01)
- Change in tax rate	(8.97)	-
- Amounts that are allowable as tax credit	(41.75)	(1.25)
- Income chargeable under final tax regime	(4.90)	(3.53)
- Super Tax	3.83	3.00
- Losses for which no deferred tax asset recognised	0.05	0.58
- Deferred tax recognised on depreciation losses	(0.75)	-
	(52.20)	(1.59)
Average effective tax rate charged to consolidated statement of profit or loss	(22.20)	29.41

35.4 Management assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessment for last three tax years is as follows:

	2017	2016	2015
		(Rupees in thousand)	
Tax assessed as per most recent tax assessment	2,960,873	2,614,288	1,747,890
Provision in accounts for income tax	3,282,223	2,855,720	1,747,889

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

36. Earnings per share

36.1 Earnings per share - Basic

		2018	2017
Profit for the year - attributable to equity holders of the parent company	**Rupees**	8,869,995,000	7,890,603,000
Weighted average number of ordinary shares	**Number**	438,119,118	438,119,118
Earnings per share - basic	**Rupees**	20.25	18.01

36.2 Earnings per share - Diluted

There is no dilution effect on the basic earnings per share as the Group has no such commitments.

	2018	2017
	(Rupees in thousand)	

37. Cash generated from operations

		2018	2017
Profit before tax		7,314,947	11,125,279
Adjustments for:			
- Depreciation on operating fixed assets		2,569,107	2,337,767
- Impairment loss on operating fixed assets		1,270,120	-
- Change in fair value of investments at fair value through profit or loss		22	15
- Gain on disposal of investments - available-for-sale		-	(1,280)
- Loss on disposal of operating fixed assets		177,217	1,360
- Loss on disposal of biological assets		124,895	146,160
- Changes in fair value of biological assets		(242,436)	10,017
- Realized (gain)/loss on derivative financial instruments		(12,979)	5,650
- Unrealized loss on derivative financial instruments		-	48,056
- Dividend income		(1,895,635)	(1,911,209)
- Mark-up income		(67,813)	(39,006)
- Provision for retirement benefits		91,615	66,028
- Provision for doubtful advances		-	1,342
- Provision for doubtful debts		-	3,466
- Exchange loss		305,616	19,535
- Compensation from plant supplier		(910,500)	-
- Finance costs		574,569	412,137
Profit before working capital changes		9,298,745	12,225,317
Effect on cash flow due to working capital changes			
- Increase in stores, spares and loose tools		(189,181)	(958,535)
- Increase in stock-in-trade		(632,855)	(457,134)
- (Increase)/decrease in trade debts		(13,084)	34,362
- Decrease/(increase) in advances, deposits, prepayments and other receivables		69,837	(1,375,054)
- Increase in trade and other payables		2,120,254	386,266
		1,354,971	(2,370,095)
		10,653,716	9,855,222

38. Cash and cash equivalents

		2018	2017
Cash and bank balances	- note 27	498,973	450,528
Short term borrowings - secured	- note 13	(13,614,942)	(8,614,810)
		(13,115,969)	(8,164,282)

39. Remuneration of Chief Executive, Directors and Executives

39.1 The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Executive Director and Executives of the Group are as follows:

	(Rupees in thousand)					
	Chief Executive		Executive Directors		Executives*	
	2018	2017	2018	2017	2018	2017
Short term employee benefits						
Managerial remuneration	21,384	18,960	15,687	14,260	400,575	312,527
Housing	270	270	335	335	124,062	92,711
Utilities	7,502	6,687	201	205	25,717	16,215
Leave passage	-	-	1,089	594	77,474	63,025
Bonus	4,860	4,334	1,188	1,061	8,179	7,135
Medical expenses	1,957	2,221	142	56	11,309	8,561
Others	13,986	12,370	861	753	101,801	72,035
Post employment benefits						
Contributions to Provident and Gratuity Fund	-	-	2,876	2,614	44,646	39,203
	49,959	44,842	22,379	19,878	793,763	611,412
Number of persons	1	1	1	1	151	115

* Comparative figures have been restated to reflect changes in the definition of 'executive' as per the Companies Act, 2017.

39.2 The Group also provides the Chief Executive and some of the directors and executives with Company maintained cars, travelling and utilities.

39.3 During the year, the Group paid meeting fee amounting to Rs 870,000 (2017: Rs 590,000) to its non-executive directors. The number of non-executive directors is 5 (2017: 5).

40. Transactions with related parties

The related parties include the Investor, related parties on the basis of common directorship, key management personnel including directors, other related parties and post employment benefit plans. 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	2018	2017
		(Rupees in thousand)	
i. Investor	Sale of goods	81,434	135,530
	Dividend paid	900,304	739,716
	Purchase of goods	972	-
	Purchase of assets	2,200	-
ii. Other related parties	Sale of goods and services	53,663	48,959
	Purchase of goods and services	155,428	73,600
	Insurance claims received	11,033	6,404
	Insurance premium	90,726	92,826
ii. Key management personnel	Remuneration - note 40.1	145,053	128,225

40.1 This represents remuneration of the Chief Executive, executive director and certain executives that are included in the remuneration disclosed in note 39 to these financial statements.

40.2 The names of related parties with whom the Group has entered into transactions or had agreements / arrangements in place during the year and whose names have not been disclosed elsewhere in these consolidated financial statements are as follows:

Name	Basis of relationship
Pakistan Aviators & Aviation (Private) Limited	Other related party
Nishat Commodities (Private) Limited	Common directorship

41. Plant capacity and actual production

		Capacity		Actual production	
		2018	2017	2018	2017
Cement segment:					
Clinker (Metric Tonnes)					
Plant I - D.G. Khan	- note 41.1	810,000	810,000	899,585	829,387
Plant II - D.G. Khan	- note 41.1	1,200,000	1,200,000	1,244,058	1,195,979
Plant III - Khairpur	- note 41.1	2,010,000	2,010,000	2,269,770	2,289,234
Plant IV - Hub	- note 41.2	36,000	-	-	-
Paper segment:					
Cement bags (number of bags in thousand)	- note 41.3	220,000	120,000	133,063	118,718
Dairy segment:					
Milk - litres	- note 41.4	36,500,000	36,500,000	21,697,000	18,746,000

41.1 Normal capacity is based on 300 working days, that can be exceeded if the respective plant is operational for more than 300 days during the year.

41.2 Normal capacity is based on 4 working days during the year, as the plant was ready for use on June 27, 2018. Actual production of clinker was nil during the year as the rotary kiln was in the process of lighting up.

41.3 Actual bags produced by the plant is dependent on the quantity demanded by the customers. Further, effective June 02, 2018, the new production line having annual capacity of 100 million bags was added to the existing manufacturing facility. Normal capacity is based on 300 working days for existing and new production lines.

41.4 Actual milk production is lower due to mortality of milking cows and low health of the animals.

42. Number of employees

	2018	2017
Total number of employees as at June 30	1,966	1,560
Average number of employees during the year	1,754	1,479
Number of factory employees as at June 30	1,720	1,372
Average number of factory employees during the year	1,537	1,300

43. Provident Fund related disclosures

43.1 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 Act and the conditions specified thereunder except for:

- Investment out of the provident fund ('fund') in securities listed on Pakistan Stock Exchange Limited in Pakistan, including shares of companies, bonds, redeemable capital, debt securities, equity securities and listed collective investment schemes registered as notified entity with the Securities and Exchange Commission of Pakistan ('Commission') under Non Banking Finance Companies and Notified Entities Regulations, 2008 exceeded 50% of the size of the fund;

- 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, exceeded 30% of the size of the fund;

- 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; and

- The fund has aggregate investment in listed equity securities, other than equity collective investment schemes in excess of Rs 50 million but has neither appointed nor sought advice from an investment advisor holding a valid license from the SECP for providing investment advisory services.

However, as per S.R.O. 731(I)/2018 dated June 6, 2018, a transition period of one year 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, 2018.

43.2 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 unaudited financial statements of the Provident Fund for the year ended June 30, 2018.

43.3 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 except for:

- Investment in collective investment schemes registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008 in excess of 50% of the size of the fund.

- Total investment, at the time of making investment in equity collective investment scheme registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, exceeds 30% of the size of the fund.

- Total investment, at the time of making investment in any single equity collective investment scheme exceeds 3% of the size of the fund.

However, as per S.R.O. 731(I)/2018 dated June 6, 2018, a transition period of one year 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, 2018.

44. Financial risk management

44.1 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 Groups’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's 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 future commercial transactions or 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) and Euro. Currently, the Group’s foreign exchange risk exposure is restricted to bank balances and amounts receivable from / payable to the foreign entities.

	2018	2017
	(In thousand)	
Financial assets		
Cash and bank balances - USD	290	93
Receivable against sales to foreign parties - USD	945	1,485
	1,235	1,578
Financial laibilities		
Short term borrowings - secured - USD	-	(24,000)
Net exposure - USD	1,235	(22,422)
Financial assets	-	-
Financial laibilities		
Finances under mark-up arrangements - Euro	(1,063)	-
Mark-up payable - Euro	(2)	-
Trade and other payables - Euro	(876)	(1,515)
	(1,941)	(1,515)
Net exposure - Euro	(1,941)	(1,515)

At June 30, 2018, if the Rupee had weakened/strengthened by 10% against the USD with all other variables held constant, pre-tax profit for the year would have been Rs 14.993 million higher/lower (2017: Rs 235.428 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD-denominated financial assets and liabilities.

At June 30, 2018, if the Rupee had weakened/strengthened by 10% against the Euro with all other variables held constant, pre-tax profit for the year would have been Rs 27.479 million (2017: Rs 18.201 million) higher/lower, 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 available-for-sale and at fair value through profit or loss. 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 profit for the year and on equity. The analysis is based on the assumption that the KSE had increased/decreased by 10% with all other variables held constant and all the Group’s equity instruments moved according to the historical correlation with the index.

	Impact on post-tax profit		Impact on other components of equity	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Pakistan Stock Exchange Limited	4	6	2,648,601	2,859,841

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss and such impact is considered to be immaterial. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

(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 consolidated profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2018	2017
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	219,996	149,944
Financial liabilities		
Export finances	(1,290,000)	(1,840,000)
Net exposure	(1,070,004)	(1,690,056)
Floating rate instruments:		
Financial assets		
Loan to related party	1,000,000	1,000,000
Financial liabilities		
Long term finances - secured	(20,667,971)	(13,133,750)
Short term borrowings - secured	(12,324,942)	(6,774,810)
	(32,992,913)	(19,908,560)
Net exposure	(31,992,913)	(18,908,560)

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, 2018, if interest rates on floating rate instruments had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been Rs 319.929 million (2017: Rs 189.086 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 distributors and wholesale and retail 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:

	2018	2017
	(Rupees in thousand)	
Long term loans to employees and long term deposits	60,747	59,748
Loan to related party	1,000,000	1,000,000
Trade debts	519,802	497,748
Advances, deposits and other receivables	20,033	16,321
Balances with banks	496,028	448,617
	2,096,610	2,022,434

The aging analysis of trade debts that are past due and not impaired (other than trade debts from related parties) is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 90 days	466,109	383,080
90 to 180 days	42,136	59,746
181 to 365 days	5,139	5,246
Above 365 days	-	433
	513,384	448,505

The aging analysis of trade debts from related parties that are past due and not impaired is as follows:		
Up to 90 days	5,688	14,455
90 to 180 days	730	9,586
181 to 365 days	-	330
Above 365 days	-	767
	6,418	25,138
Trade debts - past due and impaired - above 365 days	3,466	3,466
Loans, advances, deposits,prepayments and other receivables - past due and impaired - above 365 days	1,342	1,342

(ii) 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	2018	2017
				(Rupees in thousand)	
Askari Bank Limited	A1+	AA+	PACRA	244	244
Bank Alfalah Limited	A1+	AA+	PACRA	179,257	127,142
Bank Islami Pakistan Limited	A1	A+	PACRA	569	288
Bank of Punjab	A1+	AA	PACRA	434	329
The Bank of Khyber	A1	A	PACRA	48	-
Citibank N.A.	P-1	A1	Moody's	1	20,001
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	3,599	1,076
Faysal Bank Limited	A1+	AA	PACRA	218	218
MCB Bank Limited	A1+	AAA	PACRA	300,672	209,018
MCB Islamic Bank Limited	A1	A	PACRA	65	1,312
Meezan Bank Limited	A-1+	AA+	JCR-VIS	28	465
National Bank of Pakistan	A1+	AAA	PACRA	2,564	4,623
NIB Bank Limited	A1+	AAA	PACRA	1,546	16,390
Silk Bank Limited	A-2	A-	JCR-VIS	5	5
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	440	1,350
United Bank Limited	A-1+	AAA	JCR-VIS	6,261	65,628
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	27	27
JS Bank Limited	A1+	AA-	PACRA	12	11
Bank Al-Habib	A1+	AA+	PACRA	34	486
Samba Bank Limited	A-1	AA	JCR-VIS	4	4
				496,028	448,617

(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.

Management monitors the forecasts of the Group's cash and cash equivalents (note 38) on the basis of expected cash flows. 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 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 and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date.

At June 30, 2018	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
	(Rupees in thousand)			
Long term finances	20,667,971	2,337,647	4,279,098	14,051,226
Trade and other payables	6,578,519	6,578,519	-	-
Accrued finance cost	370,028	370,028	-	-
Short term borrowings - secured	13,614,942	13,614,942	-	-
Loans from related parties - unsecured	214,000	214,000	-	-
	41,445,460	23,115,136	4,279,098	14,051,226

At June 30, 2017	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
	(Rupees in thousand)			
Long term finances	13,133,750	586,250	4,160,222	8,387,278
Trade and other payables	3,898,029	3,898,029	-	-
Accrued finance cost	219,844	219,844	-	-
Short term borrowings - secured	8,614,810	8,614,810	-	-
Loans from related parties - unsecured	169,000	169,000	-	-
Derivative financial instrument	48,056	48,056	-	-
	26,083,489	13,535,989	4,160,222	8,387,278

44.2 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 balance sheet, including non-controlling interests). Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances and liquid investments.

		2018	2017
		(Rupees in thousand)	
Borrowings	- notes 7, 13 & 14	34,496,913	21,917,560
Cash and bank balances	- note 27	(498,973)	(450,528)
Liquid investments - at fair value through profit or loss- note 24.2		(35)	(57)
Net debt		33,997,905	21,466,975
Total equity		78,982,630	76,665,230
Gearing ratio - Net debt to equity ratio	Percentage	43%	28%

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 in respect of capital requirements which the Group has complied with throughout the reporting period.

44.3 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is determined on the basis of objective evidence at each reporting date.

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, 2018	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investment - At fair value through profit or loss	35	-	-	35
Investments - Available-for-sale	26,485,976	-	3,392,170	29,878,146
Biological assets	-	-	636,403	636,403
Total assets	26,486,011	-	4,028,573	30,514,584
Total liabilities	-	-	-	-

As at June 30, 2017	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Recurring fair value measurements				
Assets				
Investment - At fair value through profit or loss	57	-	-	57
Investments - Available-for-sale	29,119,166	-	4,051,000	33,170,166
Biological assets	-	-	591,579	591,579
Total assets	29,119,223	-	4,642,579	33,761,802
Liability				
Derivative financial instruments	-	48,056	-	48,056
Total liabilities	-	48,056	-	48,056

Movement in the above mentioned assets has been disclosed in notes 18, 19 and 24 to these consolidated financial statements and movement in fair value reserve 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.

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 years.

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 - Available-for-sale

Since the ordinary shares of Nishat Hotels and Properties Limited are not listed, an investment advisor engaged by the Group has estimated a fair value of Rs 32.42 per ordinary share as at June 30, 2018 through a valuation technique based on its discounted cash flow analysis. Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and since its operations have not commenced as of the reporting date, management assesses the fair value of such investment equal to its cost.

The method for calculation of fair value and valuation inputs including sensitivity analysis has been explained in note 19.1.1 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, 2018. 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.

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 Dairy segment 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, pre-tax profit for the year would have been Rs 18.183 million (2017: Rs 7.215 million) higher/lower mainly as a result of lower/higher fair value loss on biological assets.

44.4 Financial instruments by categories

	At fair value through profit or loss	Available-for-sale	Loans and receivables	Total
		(Rupees in thousand)		
As at June 30, 2018				
Assets as per statement of financial position				
Long term loans to employees and long term deposits	-	-	60,747	60,747
Trade debts	-	-	519,802	519,802
Advances, deposits and other receivables	-	-	20,033	20,033
Loan to related party	-	-	1,000,000	1,000,000
Investments	35	29,878,146	-	29,878,181
Cash and bank balances	-	-	498,973	498,973
	35	29,878,146	2,099,555	31,977,736
As at June 30, 2017				
Assets as per statement of financial position				
Long term loans to employees and long term deposits	-	-	59,748	59,748
Trade debts	-	-	497,748	497,748
Advances, deposits and other receivables	-	-	17,663	17,663
Loan to related party	-	-	1,000,000	1,000,000
Investments	57	33,170,166	-	33,170,223
Cash and bank balances	-	-	450,528	450,528
	57	33,170,166	2,025,687	35,195,910

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Liabilities as per statement of financial position				
Long term finance - secured	-	-	20,667,971	13,133,750
Accrued finance cost	-	-	370,028	219,844
Trade and other payables	-	-	6,578,519	3,898,029
Short term borrowings - secured	-	-	13,614,942	8,614,810
Loans from related parties - unsecured	-	-	214,000	169,000
Derivative financial instrument	-	48,056	-	-
	-	48,056	41,445,460	26,035,433

44.5 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

45. 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.

45.1 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/Farm Supplies		Elimination - net		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from										
- External customers	30,667,428	30,130,129	1,501,340	1,234,930	1,296,088	1,110,088	-	-	33,464,856	32,475,147
- Inter group	1,000	6,036	1,492,923	1,249,058	1,000	-	(1,494,923)	(1,255,094)	-	-
	30,668,428	30,136,165	2,994,263	2,483,988	1,297,088	1,110,088	(1,494,923)	(1,255,094)	33,464,856	32,475,147
Segment gross profit/(loss)	8,740,221	11,844,563	350,055	587,293	(238,274)	(280,349)	(34,904)	(24,486)	8,817,098	12,127,021
Segment expenses	(3,877,537)	(2,421,773)	(92,694)	(64,414)	(202,556)	(206,955)	791	3,092	(4,171,996)	(2,690,050)
Other income	3,026,660	2,118,216	17,122	19,350	11,072	15,213	(52,876)	(42,317)	3,001,978	2,110,462
Changes in fair value of biological assets	-	-	-	-	242,436	(10,017)	-	-	242,436	(10,017)
Financial charges	(519,267)	(382,895)	(53,277)	(28,390)	(2,025)	(852)	-	-	(574,569)	(412,137)
Taxation	1,467,531	(3,182,766)	33,419	(174,334)	122,644	85,285	-	-	1,623,594	(3,271,815)
Profit after taxation	8,837,608	7,975,345	254,625	339,505	(66,703)	(397,675)	(86,989)	(63,711)	8,938,541	7,853,464
Segment assets	121,889,015	108,371,316	3,819,137	1,860,330	3,133,181	3,230,910	(2,425,630)	(2,345,382)	126,415,703	111,117,174
Segment liabilities	44,754,598	33,502,440	2,481,688	677,241	517,857	548,882	(321,070)	(276,619)	47,433,073	34,451,944
Depreciation, amortization and impairment	3,574,369	2,061,811	35,523	33,027	197,555	208,734	31,780	34,195	3,839,227	2,337,767
Net cash generated from / (used in) operating activities	8,910,698	5,877,328	(778,471)	552,316	(63,128)	56,991	(32,764)	(208,999)	8,036,335	6,277,636
Capital expenditure	(17,816,476)	(24,947,189)	(916,429)	(16,694)	(84,558)	(134,453)	-	25,418	(18,817,463)	(25,072,918)
Net cash used in investing activities	(16,070,791)	(24,430,219)	(947,622)	(82,914)	(2,743)	(220,995)	(50,736)	170,609	(17,071,892)	(24,563,519)

45.2 Geographical segments

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

46. Interests in other entities

46.1 Material subsidiaries

The Group's principal subsidiaries as at June 30, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration and their principal place of business are disclosed in note 1.

	Ownership interest held by the Group		Ownership interest held by non-controlling interests		
Name of entity	**2018**	**2017**	**2018**	**2017**	**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
Nishat Farm Supplies (Private) Limited	55.10%	55.10%	44.90%	44.90%	Sale/ distribution of imported chemicals, medicines, vaccines etc.

46.2 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		Nishat Farm Supplies (Private) Limited	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Summarised statement of financial position						
Current assets	2,108,494	1,067,460	431,035	451,537	-	5
Current liabilities	1,749,387	482,215	433,271	336,910	-	85
Current net assets / (liabilities)	359,107	585,245	(2,236)	114,627	-	(80)
Non-current assets	1,710,643	792,869	2,702,146	2,779,609	-	-
Non-current liabilities	732,300	195,026	84,587	11,887	-	-
Non-current net assets	978,343	597,843	2,617,559	2,567,722	-	-
Net assets	1,337,450	1,183,088	2,615,323	2,682,349	-	(80)
Accumulated non-controlling interest	701,090	637,969	1,293,759	1,333,490	-	(36)

	Nishat Paper Products Limited		Nishat Dairy (Private) Limited		Nishat Farm Supplies (Private) Limited	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Summarised statement of comprehensive income						
Revenue	2,994,264	2,483,988	1,296,088	1,110,088	-	-
Profit / (loss) for the year	256,753	339,507	(65,408)	(397,571)	(4)	(105)
Other comprehensive income	(7,193)	(3,026)	-	-	-	-
Total comprehensive income	249,560	336,481	(65,408)	(397,571)	(4)	(105)
Profit / (loss) allocated to NCI	108,241	152,238	(39,695)	(189,330)	(2)	(47)
Other comprehensive income allocated to NCI	(3,237)	(1,362)	-	-	-	-
Dividends paid to NCI	41,883	31,413	-	-	-	-
Summarised cash flows						
Cash flow from operating activities	(778,471)	552,316	(63,128)	57,091	(89)	(105)
Cash flow from investing activities	(947,622)	(82,914)	(2,743)	(221,100)	-	-
Cash flow from financing activities	386,825	(202,930)	45,000	169,000	85	105
Net increase/(decrease) in cash and cash equivalents	(1,339,268)	266,472	(20,871)	4,991	(4)	-

47. Summary of significant transactions and events

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

- construction and installation of cement production facility at Hub, Balochistan having clinker capacity of 9,000 tons per day. The new plant was ready for use at June 27, 2018;

- an additional Paper bags production line having manufacturing capacity of 333,600 bags per day has commenced operations at its existing manufacturing premises, which will significantly affect the business volume and profitability of the Group going forward. The Group has arranged long term finance facilities aggregating Rs 600 million from Habib Bank Limited to finance this project;

- due to the first time application of financial reporting requirements under the Companies Act, 2017, including presentation and disclosure requirements of the Fourth Schedule to the Companies Act, 2017, some of the amounts reported for the previous year have been reclassified. However, no significant reclassifications have been made;

- direction by the honourable Supreme Court of Pakistan to make alternate arrangements for water supply (refer to note 16.1.7);

- long term finances aggregating Rs 8,453.805 million were disbursed to the Group, including Rs 600 million from Habib Bank Limited as refered below, and principal amounting to Rs 919.584 million was repaid by the Group (refer to note 7);

- Group resolved to invest from time to time Rs 850 million in Hyundai Nishat Motor (Private) Limited, the approval of which was sought through an Extraordinary General Meeting. Out of this amount, investment amounting to Rs 150 million was made (refer to note 19.1.4);

- declared dividend amounting to Rs 3,285.894 million (refer to statement of changes in equity)

- impairment of Waste Heat to Recovery Power Plant at Khairpur (refer to note 17.1.4); and

- for a detailed discussion about the above as well as other projects and the Group's overall performance, please refer to the Directors' Report.

48. Date of authorisation for issue

These consolidated financial statements were authorised for issue on September 19, 2018 by the Board of Directors.

49. Events after the reporting date

49.1 The Board of Directors have proposed a final dividend for the year ended June 30, 2018 of Rs 4.25 per share amounting to Rs 1,862.006 million at their meeting held on September 19, 2018 for approval of the members at the Annual General Meeting to be held on October 27, 2018. These financial statements do not include the effect of the above dividend that will be accounted for in the period in which it is approved.

50. 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

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

- مستعمل پیداواری صلاحیت
سود کی شرح
- غیر ملکی کرنسی کا اتار چڑھاؤ
- برآمد مارکیٹ میں گھٹتا منافع
- کرافٹ کاغذ کی قیمتیں
- جانوروں سے متعلقہ بیماریاں، شرح اموات وغیرہ وغیرہ جیسے خطرات

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۔

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۔

فریم ورک اور داخلی کنٹرول

اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔ 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۔ مالی حسابات کو لاگو قوانین کے تحت تیار اور کمپنی کی اصل اور موزوں وضاحت کی گئی ہے۔

ڈائریکٹر

DGKC

محترمہ ناز منشا (چیئرپرسن)
جناب رضا منشا
جناب خالد نیاز خواجہ
جناب محمد عارف حمید
جناب خالد قدیر قریشی
جناب فرید نور علی فضل
جناب شہزاد احمد ملک

NPPL

جناب رضا منشا (چیئرمین)
جناب فرید نور علی فضل
جناب آفتاب احمد خان
جناب محمود اختر
محترمہ ایمل رضا منشا
ڈاکٹر عارف بشیر
جناب بدر الحسن

NDL

جناب رضا منشا (چیئرمین)
جناب عمر منشا
جناب حسن منشا

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
لاہور
19 ستمبر 2018ء

فرید نور علی فضل
ڈائریکٹر

حصص داران کے لئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے مجموعی مالیاتی اعداد وشمار آپ کو پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مجموعی اکاؤنٹس ڈی جی خان سیمنٹ کمپنی لمیٹڈ (DGKC) ہولڈنگ کمپنی، نشاط پیپر پروڈکٹس کمپنی لمیٹڈ (NPPCL) اور نشاط ڈیری (پرائیویٹ) لمیٹڈ (NDL) کے اکاؤنٹس کو ظاہر کرتے ہیں۔

اصل سرگرمی

ہولڈنگ اور ذیلی کمپنیوں کی اصل سرگرمیاں مندرجہ ذیل ہیں:

ڈی جی خان سیمنٹ کمپنی لمیٹڈ:	سیمنٹ کی تیاری اور فروخت
نشاط پیپر پراڈکٹس کمپنی لمیٹڈ:	کاغذ کی بوریوں کی تیاری اور فروخت
نشاط ڈیری (پرائیویٹ) لمیٹڈ:	ڈیری فارمنگ

ہولڈنگ

DGKC اپنی ذیلی کمپنیوں میں حسب ذیل کے مطابق شیئر ہولڈنگ کی مالک ہے:

کمپنی	حصص	فیصد شیئر ہولڈنگ
NPPL	25,595,398	55.00
NDL	270,000,000	55.10

کاروباری نتائج اور امور

30 جون 2018 مختتمہ سال کے لئے مجموعی کارکردگی کے اعداد وشمار:

پاکستانی روپے ہزاروں میں

	مالی سال 2018	مالی سال 2017
فروخت	33,464,856	32,475,147
قیمت فروخت	(24,647,758)	(20,348,126)
مجموعی منافع	8,817,098	12,127,021
انتظامی لاگت	(706,148)	(617,386)
فروخت اور تقسیم کرنے کی لاگت	(919,866)	(996,589)
دیگر آپریشنل لاگت	(2,545,982)	(1,076,075)
دیگر آمدنی	3,001,978	2,110,462
بائیالوجیکل اثاثوں کی فیئر ویلیو میں تبدیلی	242,436	(10,017)
مالی لاگت	(574,569)	(412,137)
ٹیکس سے قبل منافع	7,314,947	11,125,279
ٹیکسیشن	1,623,594	(3,271,815)
بعد از ٹیکس منافع	8,938,541	7,853,464

فی حصص آمدنی

مجموعی فی حصص آمدنی 20.25 پاکستانی روپے ہے (FY17: PKR 18.01)

کارکردگی

مجموعی فی حصص آمدنی FY17 کی 18.01 پاکستانی روپے کے مقابلے FY18 کے لئے 20.25 پاکستانی روپے ہے۔ خالص فروخت 3 فیصد زیادہ، مجموعی منافع تقریباً 27 فیصد کم، PBT تقریباً 34 فیصد کم اور PAT تقریباً 13.8 فیصد زیادہ ہوا۔

ہولڈنگ کمپنی کے امور پر الگ تفصیلی رپورٹ جاری کی گئی ہے:

	NPPL	NDL (مجموعی)
خالص فروخت (پاکستانی روپے ملین میں) -FY18	2,994	1,296
خالص فروخت (پاکستانی روپے ملین میں) -FY17	2,484	1,110
فی شیئر آمدنی -FY18	5.47	(0.14)
فی شیئر آمدنی -FY17	7.3	(0.81)
مجموعی منافع -FY18	11.69	(18.38)
مجموعی منافع -FY17	23.64	(25.25)
PAT مارجن - FY18	8.5	(5.15)
PAT مارجن - FY17	13.67	(26.81)

NPPL کی خالص فروخت تقریباً 20 فیصد زیادہ ہوئی۔ کرافٹ کاغذ کی زیادہ قیمتوں کی وجہ سے منافع کم ہوا۔

NDL کی آمدنی اگرچہ 16 فیصد زیادہ ہوئی لیکن مجموعی نقصان ہوا ہے۔ نقصان کی اہم وجہ ماحول اور ماحولیاتی تبدیلی کے باعث درآمد شدہ دودھ دینے والے جانوروں کی غیر متوقع شرح اموات اور بیماریاں ہیں۔

مستقبل کے امکانات

ملک میں اقتصادی سرگرمی، ترقیاتی منصوبے اور CPEC مثبت اشارے ہیں۔ سیمنٹ کی فروخت بڑھنے کا امکان ہے مگر اس کی قیمت، متوقع وقوع پذیر ہونے والی سیمنٹ انڈسٹری کی اضافی پیداواری صلاحیت کی وجہ سے ایک خاص حد تک تبدیل ہوسکتی ہے۔ سیمنٹ کی فروخت میں بڑھوتری سے NPPL پر مثبت اثرات آئیں گے۔ کرافٹ کاغذ کی قیمتوں کا رجحان NPPL کی آمدنی کے تعین کے اہم عناصر میں سے ایک ہے۔ NDL اس منصوبے کو منافع بخش بنانے کے لئے مثبت سمت کی جانب گامزن ہے۔

اہم خطرات

مجموعی بنیاد پر کمپنی کو درپیش اصل خطرات مندرجہ ذیل ہیں:

• مارکیٹ قیمت اور سخت مقابلہ

جناب فرید نور علی فضل	ایگزیکٹو
جناب شہزاد احمد ملک	نان ایگزیکٹو

*خواتین ڈائریکٹر: ایک

مرد ڈائریکٹر: چھ

آڈٹ کمیٹی

جناب خالد نیاز خواجہ	چیئرمین
جناب محمد عارف حمید	ممبر
جناب خالد قدیر قریشی	ممبر

ہیومن ریسورس اینڈ ریمونریشن کمیٹی

جناب خالد نیاز خواجہ	چیئرمین
جناب رضا منشا	ممبر
جناب خالد قدیر قریشی	ممبر

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۔

ڈائریکٹر کے اخراجات

بورڈ آف ڈائریکٹرز نے ڈائریکٹر کے اخراجات کی پالیسی کی منظوری دی ہے۔ پالیسی کی خصوصیات مندرجہ ذیل ہیں۔

• کمپنی نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کو بورڈ اور اس کی کمیٹیز کے اجلاس کی فیس کے علاوہ کوئی اخراجات ادا نہیں کرے گی۔

• کمپنی ڈائریکٹرز کو بورڈ اور اس کی کمیٹیز کے اجلاس کے سلسلے میں ان کے سفر اور رہائش کے اخراجات ادا کرے گی۔

• ڈائریکٹر کے اخراجات کی پالیسی کا بورڈ آف ڈائریکٹرز وقتاً فوقتاً جائزہ لے گا۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 (ریگولیشنز)

کمپنی نے 30 جون 2018 کو ختم ہونے والے سال کے متعلقہ، ریگولیشنز 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 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 گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

g۔ ضابطہ 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 / سالانہ رپورٹ کے دوسرے حصوں میں مدلل درج ہیں۔ دیگر اہم کاروباری معاملات سالانہ رپورٹ میں درج کیئے گے 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 1,269 ملین پاکستانی روپے (2017: 1,058 ملین روپے) اور گریجوئٹی میں سرمایہ کاری کی قیمت 322.696 ملین پاکستانی روپے (2017: 322.696 ملین روپے) ہے۔

ہم اپنے تمام صارفین، ڈیلرز، سپلائرز، قرض دہندہ سمیت تمام اسٹیک ہولڈرز کی حمایت کے شکرگزار اور اپنے تمام ملازمین کی ان تھک کوششوں کو سراہتے ہیں۔

منجانب بورڈ

رضا منشا	**فرید نور علی فضل**
چیف ایگزیکٹو آفیسر	ڈائریکٹر

لاہور

19 ستمبر 2018ء

ٹیکسیشن
امسال کیلئے موجودہ ٹیکس صفر ہے جبکہ مؤخر ٹیکس منفی 1.4 بلین پاکستانی روپے ہے۔ سال کے دوران، کمپنی کے ذمہ موجودہ ٹیکس انکم ٹیکس آرڈیننس 2001 کی دفعات کے تحت حب میں پلانٹ کی تنصیب پر خرچ ہونے والی رقم پر انویسٹمنٹ ٹیکس کریڈٹ کے ذریعے ختم ہوا۔

مستقبل کے امکانات
نئی حکومت کے لئے کثیر سماجی، سیاسی اور مستقبل میں اقتصادی چیلنجوں کو ختم کرنے کے معاملات اہم ہیں اور بین الاقوامی منظر نامہ پر اہم پیشرفتوں پر گہری نظر رکھنے کی ضرورت ہے۔

پاکستان کے اقتصادی اعدادوشمار اگرچہ صحت مند نہیں ہیں لیکن ناقابل علاج بھی نہیں ہیں۔ ہمیں امید ہے کہ پاکستانی روپیہ اور مقامی سود کی شرح پر دباؤ پڑے گا۔ یہ بینکنگ لیکویڈیٹی کو کم کرے گا اور افراط زر بڑھ جائے گا۔

آنے والے دنوں میں سالانہ بنیاد پر نمو متوقع ہے۔ گھروں، ڈیموں کی تعمیر اور سی پیک کے تحت سرمایہ کاری کے لئے حکومت کی منصوبہ بندی سیمنٹ کی طلب کے لئے مثبت عوامل ہیں جبکہ گھریلو شعبہ اپنا بڑا حصہ برقرار رکھے گا۔ قیمتیں محدود حد تک گردش کر سکتی ہیں۔ آئندہ صنعتی توسیعی منصوبوں کے باعث قیمتوں پر دباؤ دیکھا جاسکتا ہے۔

کمپنی کی منافع یابی متوقع افراط زر کے دباؤ، کوئلے کی قیمتوں، روپیہ کی بے قدری اور سیمنٹ کی قیمت کے عدم استحکام کے باعث کم ہوسکتی ہے۔ اس کے علاوہ، مالی اخراجات میں سود کی شرح میں اضافہ، فنانسنگ سہولیات کے پھیلاؤ اور زیادہ استعمال کے پس منظر میں اضافہ ہونے کا امکان ہے۔ حب پلانٹ کے آپریشنل آغاز کے بعد، قرضے کی لاگت، آمدنی سٹیٹمنٹ میں آئے گی۔

بعداز بیلنس شیٹ کے واقعات
کوئی اہم بعداز 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 میونسپل فضلوں کو استعمال میں کے لئے جدید مشینریوں میں بھاری سرمایہ کاری کی ہے۔

کارپوریٹ سماجی ذمہ داری
DGKC اپنی معاشرتی اور فلاحی ذمہ داریوں سے بخوبی واقف ہے۔

تعلیم
کمپنی ڈی جی خان میں بلوم فیلڈ ہال سکول اور سیمنٹ ماڈل ٹرسٹ سکول نامی دو سکولوں کو چلاتی ہے۔

میڈیکل اور فائر فائٹنگ
- ڈی جی خان، خیرپور 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۔

واٹر سپلائی
- 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۔

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۔

سال کے دوران کمپنی نے ہسپتال میں 100 ملین پاکستانی روپے کی مدد کی ہے۔

اہم خطرات
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 میں منافع کا سکڑاؤ

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۔

ڈائریکٹر
مندرجہ ذیل کمپنی کے ڈائریکٹر ہیں:

محترمہ نازمنشا (چیئرپرسن)	نان ایگزیکٹو
جناب رضا منشا	ایگزیکٹو
جناب خالد نیاز خواجہ	آزاد
جناب محمد عارف حمید	نان ایگزیکٹو
جناب خالد قدیر قریشی	نان ایگزیکٹو

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی کی اصل سرگرمی سیمنٹ کی تیاری اور فروخت کرنا ہے۔ 30 جون 2018 مختتمہ سال کے لئے کمپنی کی مجموعی کارکردگی کے اعداد وشمار:

پاکستانی روپے ہزاروں میں

	مالی سال 2018	مالی سال 2017
فروخت	30,668,428	30,136,165
قیمت فروخت	(21,928,207)	(18,291,600)
مجموعی منافع	8,740,221	11,844,565
انتظامی اخراجات	(624,725)	(551,221)
فروخت اور تقسیم کے اخراجات	(898,156)	(979,045)
دیگر معاملاتی اخراجات	(2,354,656)	(891,513)
دیگر آمدنی	3,026,661	2,118,216
مالی لاگت	(519,267)	(382,895)
ٹیکسیشن سے قبل منافع	7,370,078	11,158,107
ٹیکسیشن	1,467,530	(3,182,766)
ٹیکسیشن کے بعد منافع	8,837,608	7,975,341

اسسال کے لئے آپ کی کمپنی کے آپریشنل اعداد وشمار درج ذیل ہیں:

اعداد وشمار میٹرک ٹن میں

	مالی سال 2018	مالی سال 2017
کلنکر کی پیداوار	4,413,413	4,314,600
سیمنٹ کی پیداوار	4,857,761	4,588,900
کل فروخت	4,810,250	4,478,065
مقامی فروخت (علاوہ ذاتی استعمال)	4,352,185	3,895,042
برآمد فروخت	458,065	583,023
کلنکر فروخت	26,576	-
کلنکر خرید	39,997	-

حب پلانٹ

مالی سال 18 کے دوران کمپنی نے حب کے مقام پر اپنا گرین فیلڈ پلانٹ 9,000 ٹن یومیہ پیداواری صلاحیت مکمل کرلیا اور یہ جون 2018 میں فعال ہوگیا اور پیداوار شروع کردی۔

حب پلانٹ

مالی سال 18 کے دوران کمپنی نے حب کے مقام پر اپنا گرین فیلڈ پلانٹ 9,000 ٹن یومیہ پیداواری صلاحیت مکمل کرلیا اور یہ جون 2018 میں فعال ہوگیا اور پیداوار شروع کردی۔

تصرف

بورڈ نے منافع اور صلاحیت کی توسیع کی ضروریات کو مدنظر رکھتے ہوئے، FY18 کے لئے 4.25 پاکستانی روپے فی شیئر کے ڈیویڈینڈ کی سفارش کرنے کا فیصلہ کیا ہے۔

روپے ہزاروں میں

منافع بعد از ٹیکس	8,837,608
ڈیویڈینڈ	1,862,006

آمدن ومنافع

اسسال کمپنی کی فی شیئر آمدنی 20.17 پاکستانی روپے (FY16 : PKR 18.20) رہی۔ فی شیئر آمدنی میں تقریباً 11 فیصد تک اضافہ ہوا۔ خالص فروخت میں صرف 2 فیصد تک اضافہ اور دیگر آمدنی میں 43 فیصد تک اضافہ ہوا، جبکہ COGS میں 20 فیصد کا اضافہ اور مالی اخراجات 36 فیصد تک زیادہ ہوئے۔ مجموعی منافع اور ٹیکس سے قبل منافع بالترتیب 26 فیصد اور 34 فیصد تک کم ہوا۔ ٹیکس کے بعد منافع 11 فیصد تک زیادہ ہوا۔

مجموعی منافع مارجن جو 28 فیصد (FY17 : 39 فیصد) قبل از ٹیکس منافع مارجن 24 فیصد (FY17:37 فیصد) اور بعد از ٹیکس منافع مارجن 29 فیصد (FY17:26 فیصد) رہا۔

COGS میں اضافہ اور GP میں کمی کوئلہ کی قیمتوں میں اضافہ، نئی اضافی ڈیپریسیشن برائے حب پلانٹ اور سیمنٹ کی اوسط قیمت میں کمی کے باعث ہوئی۔

حجم

کمپنی کی کلنکر پیداوار میں 2.3 فیصد (FY17: 8.82 فیصد) کا اضافہ ہوا۔ حجم کے لحاظ سے کل فروخت میں 7.42 فیصد (FY17: 1.25 فیصد) اضافہ ہوا جو کہ بشمول مقامی فروخت میں تقریباً 12 فیصد (FY17: 5 فیصد) اضافہ اور برآمدات میں تقریباً 21 فیصد کمی (FY17: -18 فیصد) کے ساتھ ہے۔

مالی سال 18 میں کمپنی کی مستعمل پیداواری صلاحیت تقریباً 114 فیصد (FY 17: 106 فیصد) رہی جبکہ سیمنٹ صنعت کی مستعمل پیداواری صلاحیت 95 فیصد (FY17: 86 فیصد) رہی۔ FY18 کے لئے کمپنی کی مقامی فروخت کا استعمال 103 فیصد (FY17:92 فیصد) ریکارڈ کیا گیا اور برآمدات کے لئے یہ 11 فیصد (FY17: 14 فیصد) تھا۔
کلن کے آپریشنل ایام تقریباً 993 (FY17 : 958) رہے۔ کلنکر پیداوار نے 110 فیصد (FY17:107 فیصد) کی سطح حاصل کی جبکہ سیمنٹ کی پیداوار نے 115 فیصد (FY17: 109 فیصد) کی سطح کو چھولیا۔

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") will be held on October 27, 2018 (Saturday) at 11:00 A.M. at Emporium Mall, The Nishat Hotel, Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore to transact the following business:

1. 1. To receive, consider and adopt the Audited Un-consolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2018 together with the Chairman's Review, Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 42.50% [i.e. Rs. 4.25 (Rupees Four and Paisas Twenty Five Only) per Ordinary Share as recommended by the Board of Directors.

3. To appoint statutory Auditors and fix their remuneration.

4. **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).

a) **RESOLVED** that approval of the members of D. G. Khan Cement Company Limited (the "Company") be and is hereby accorded in terms of Section 199 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 0.50% (which shall not be less than the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period or the borrowing cost of the Company which ever is higher) and as per other terms and conditions of loan agreement in writing and as 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 for the purpose of implementing the aforesaid resolutions.

b) **RESOLVED** that pursuant to the requirements of Section 199 of the Companies Act, 2017, D. G. Khan Cement Company Limited (the "Company") be and is hereby authorized to make long term equity investment up to PKR 721,620,000 (Rupees Seven Hundred Twenty One Million Six Hundred Twenty Thousand Only) by way of purchase of maximum 7,596,000 ordinary shares of Adamjee Insurance Company Limited, an associated company, from time to time from the stock market at the prevailing market price but not exceeding Rs. 95 per share.

FURTHER RESOLVED that the above said resolution shall be valid for 3 years starting from the date of approval by members and the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Adamjee Insurance Company Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

FURTHER RESOLVED that subsequent to the above said equity investments, Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby authorized singly to dispose off, through any mode, a part or all of such equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company

By order of the Board

Lahore
September 19, 2018

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

NOTES:

BOOK CLOSURE NOTICE:-

The Ordinary Shares Transfer Books of the Company will remain closed from **19-10-2018 to 27-10-2018 (both days inclusive)** for entitlement of **42.50% Final Cash Dividend [i.e. Rs. 4.25 (Rupees Four and Paisas Twenty Five Only) Per Ordinary Share]** for the year ended June 30, 2018 and 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 18-10-2018 at Share Registrar, THK Associates (Pvt) Limited, Karachi Office, 1st Floor, 40-C, Block-6, PECHS, Karachi, **Lahore Office**, THK Associates (Pvt) Ltd. DYL Motorcycles Ltd. Office, 147-Q Block, Behind Emporium Mall, Johar Town, Lahore, will be considered in time for entitlement of above said 42.50% Final Cash Dividend and 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.

Deduction of Withholding Tax on Dividend

Pursuant to the provisions of the Finance Act, 2017 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- Filler 15%

- Non-Filler 20%

All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and may, if required, take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.

Deduction of Withholding Tax on Dividend in case of Joint Account Holders

All shareholders who hold shares jointly are requested to provide following information regarding shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar THK Associates (Pvt) Limited, **Karachi Office**, 1st Floor, 40-C, Block-6, PECHS, Karachi, **Lahore Office**, THK Associates (Pvt) Ltd. DYL Motorcycles Ltd. Office, 147-Q Block, Behind Emporium Mall, Johar Town, Lahore, latest by October 19, 2018, otherwise each joint holder shall be assumed to have an equal number of shares.

Name of the Company		D.G. Khan Cement Company Limited
Folio No. / CDS A/C No.		
No. of Shares Held		
Principal Shareholder	Name & CNIC	
	Shareholding Proportion (No. of Shares)	
Joint Shareholder(s)	Name & CNIC	
	Shareholding Proportion (No. of Shares)	

Signature of Primary Shareholder_______________________________

Exemption of Witholding Tax:

Withholding tax exemption from dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar Office, Share Registrar THK Associates (Pvt) Limited, **Karachi Office**, 1st Floor, 40-C, Block-6, PECHS, Karachi, **Lahore Office**, THK Associates (Pvt) Ltd. DYL Motorcycles Ltd. Office, 147-Q Block, Behind Emporium Mall, Johar Town, Lahore, up to October 18, 2018.

Submission of Copy of CNIC (Mandatory):

Individuals including all joint holders holding physical share certificates are requested to submit a copy of their valid CNIC to the Company or the Company's Share Registrar. All shareholders are once again requested to send a copy of their valid CNIC to our Share Registrar, Share Registrar THK Associates (Pvt) Limited, Karachi Office, 1st Floor, 40-C, Block-6, PECHS, Karachi, Lahore Office, THK Associates (Pvt) Ltd. DYL Motorcycles Ltd. Office, 147-Q Block, Behind Emporium Mall, Johar Town, Lahore. The Shareholders while sending CNIC must quote their respective folio numbers and name of the Company.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 issued by SECP and would be constrained under SECP's Order dated June 08, 2016 under Section 251(2) of the Companies Ordinance, 1984 to withhold the payment of dividend warrants to such shareholders which will be released on submission of valid copy of CNIC.

Zakat Declaration (CZ-50):

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Any shareholder who want to claim exemption shall submit your Zakat declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 on prescribed Form CZ-50, to our Share Registrar, M/s. THK Associates (Pvt) Limited, **Karachi Office**, 1st Floor, 40-C, Block-6, PECHS, Karachi, **Lahore Office**, THK Associates (Pvt) Ltd. DYL Motorcycles Ltd. Office, 147-Q Block, Behind Emporium Mall, Johar Town, Lahore otherwise no exemption will be granted. The Shareholders while sending the Zakat Declarations, as the case may be, must quote company name and their respective Folio Numbers/CDC Account Numbers.

Mandatory Payment Of Cash Dividend Through Electronic Mode:

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the following information to the Company's Share Registrar at the address given herein above. In the case of shares held in CDC, the same information should be provided directly to the CDS participants for updating and forwarding to the Company.

Folio No. / Investor Account Number / CDC Sub Account No.																								
Title of Account																								
IBAN Number																								
Bank Name																								
Branch																								
Branch Address																								
Mobile Number																								
Name of Network (if ported)																								
Email Address																								

Signature of Shareholder_____________________________

Transmission of Annual Financial Statements through Email:

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.dgcement.com and send the form, duly signed by the shareholder, along with copy of his/her CNIC to the Company's Share Registrar M/s THK Associates (Pvt) Limited.

Circulation of Annual Reports through Digital Storage

Pursuant to the SECP's notification SRO 470(I) / 2016 dated 31st May, 2016 the Members of D. G. Khan Cement Company Limited in AGM held on 28th October 2017 had accorded their consent for transmission of annual reports including audited annual financial statements and other information contained therein of the Company through CD/DVD/USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send to the Company Secretary / Share registrar, the standard request form available on the Company's website and the Company will provide the aforesaid documents to the shareholders on demand, free of cost, within one week of such demand.

Unclaimed Dividend / Shares

Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any.

Video Conference Facility

In terms of the Companies Act, 2017, members residing in a city holding at least 10% of the total paid up share capital may demand the facility of video-link for participating in the annual general meeting. The request for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of the meeting on the Standard Form placed in the annual report which is also available on the website of the Company.

STATEMENT 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 27, 2018.

A) Loan To Nishat Hotels and Properties Limited 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 31, 2016 at the interest rate of 3 months KIBOR plus 0.50% for a period of one year starting from the date of that AGM, thereafter the shareholders in their AGM held on October 28, 2017 approved renewal of said loan for a further period of one year starting from the date of AGM held on October 28, 2017. The company has earned Rs. 110 million as markup on said investment in last two 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 19, 2018 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 0.50% (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 27, 2018 on the terms and conditions of loan agreement in writing and 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 significant financial gains 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. 10,000,000,000/- (Rupees Ten Billion Only) divided into 1,000,000,000 (One Billion) ordinary shares of PKR 10 each. Its main object is to carry on hotels and hospitality business in Pakistan. For the intended purpose, NHPL has acquired Hotel 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. NHPL has already handed over the premises to Hyperstar which is now fully operational. Hotel has been opened from 20th May 2017 and 198 rooms are fully operational, two floors of hotel are at finishing stage. The Building has a covered area of 2.742 Million Square Feet comprising the following building components (3 basements, ground floor and 11 floors):

- 3-4 star up to 198 rooms hotel
- Banquet halls
- Hyper Star
- 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.

Since NHPL has recently achieved commercial operation of hotel, short term finance is needed by NHPL for meeting expense of staff salary, power generation, maintenance of HVAC and other working capital requirements.

The directors of the Company certify / undertake that the investment is being made after due diligence and financial health of the borrowing company 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 the Company which is as follows:

Name	% of Shareholding
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><th colspan="4">(a) Disclosure for all types of investments:</th></tr>
<tr><th colspan="4">(A) Disclosure regarding associated company</th></tr>
<tr><td>(i)</td><td colspan="2">Name of Associated Company or Associated Undertaking</td><td>Nishat Hotels and Properties Limited (NHPL)</td></tr>
<tr><td>(ii)</td><td colspan="2">Basis of Relationship</td><td>Common Directorship</td></tr>
<tr><td>(iii)</td><td colspan="2">Earnings / (Loss) per Share for the last three years</td><td>2015:(0.09)
2016:(0.11)
2017:(0.23)</td></tr>
<tr><td>(iv)</td><td colspan="2">Break-up value per Share, based on last audited financial statements</td><td>2017:9.60</td></tr>
<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 financial statements as on 30 Jun, 2018. (Un-Audited)</td><td>
<table>
<tr><th>Equity And Liabilities</th><th>Rs</th><th>Assets</th><th>Rs</th></tr>
<tr><td>Equity</td><td>8,092,590,496</td><td>Non-Current Assets</td><td>24,667,120,635</td></tr>
<tr><td>Non-Current Liabilities</td><td>11,647,899,483</td><td></td><td></td></tr>
<tr><td>Current Liabilities</td><td>7,410,833,297</td><td>Current Assets</td><td>2,484,202,641</td></tr>
<tr><td></td><td>27,151,323,276</td><td></td><td>27,151,323,276</td></tr>
</table>
<table>
<tr><td>Issued, subscribed and paid up share capital
960,000,000 (2017: 960,000,000)
ordinary shares of Rs 10 each</td><td>9,600,000,000</td></tr>
<tr><td>Share deposit money</td><td>-</td></tr>
<tr><td>Revenue reserve: Accumulated loss</td><td>(1,507,409,504)</td></tr>
<tr><td></td><td>8,092,590,496</td></tr>
</table>
Loss after taxation Rs. (1,123,968,424)
</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>
</table>

	IV	Expected time by which the project shall start paying return on investment	N/A
	V	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	N/A
(B) General Disclosures:			
(i)	Maximum amount if investment to be made		Upto PKR 1,000,000,000 (Pak Rupees One Billion Only)
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment		**Purpose:** Renewal of working capital loan. **Benefits:** The Company expects significant financial gains through higher interest rates charged to NHPL which will eventually enhance the return on investment of the shareholders of the Company. The investment in NHPLwill be for a period of one(1) years 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
(vi)	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 of D. G. Khan Cement Company Limited (DGKCC), their relatives and associated companies holding shares of Nishat Hotels and Properties Limited (NHPL) are interested to the extent of their shareholding as under:- **Directors:** **% of Shareholding** Mian Raza Mansha 21.50 (Common Director) **Relatives:** Mian Umer Mansha 21.72 Mian Hassan Mansha 21.72 Both brothers of Mian Raza Mansha. **Associated Companies** Nishat Mills Limited 7.40 The directors of NHPL are interested in DGKCC to the extent of their shareholding as under:- **Name:** **% of Shareholding** Mian Raza Mansha 2.90 Mian Umer Mansha 6.23 Mian Hassan Mansha 6.14 Mr. I.U. Niazi 0.00 The associated Companies holding shares of NHPL are interested in DGKCC to the extent of their shareholding as follows: **Name:** **% of Shareholding** Nishat Mills Limited 31.40
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	The Company has invested in 100 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 32.42 per ordinary share as at June 30, 2018 through a valuation technique based on discounted cash flow analysis of NHPL. The Company has provided NHPL a loan of Rs. 1 billion as working capital. The Company has already earned Rs. 110 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.

(vii)	Any other important details necessary for the members to understand the transaction	None
Additional disclosure regarding investment in the form of Loan/Advance		
(i)	Category-wise amount of investment	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 is 3 Months KIBOR + 0.5%. 3 Months KIBOR as on September 19, 2018 is 8.03%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	1 Months KIBOR + 0.50%. (which shall not be less than the Karachi Inter Bank Offered Rate (KIBOR) for the relevent period or the borrowing cost of the company whichever is higher 1 Month KIBOR as on September 19, 2018 is 8.09%.
(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.

b) EQUITY INVESTMENT IN ADAMJEE INSURANCE COMPANY LIMITED

Adamjee Insurance Company Limited (AICL) was incorporated as a Public Limited Company on September 28, 1960 and is listed on Pakistan Stock Exchange. The Company is involved in the business of general insurance. The head office is located in Lahore and it operates a network of branches all across Pakistan and three in UAE (Dubai, Abu Dhabi & Sharjah).

AICL commenced operations with a paid-up capital of Rupees 2.5 million, which has grown phenomenally in the past five decades to Rupees 3.5 billion, as on 31 December 2013.
A strong asset base, significant paid-up capital, substantial reserves, balanced portfolio mix along with steady growth in gross premium account gives Adamjee Insurance a well-deserved competitive edge within the insurance industry.

D. G. Khan Cement Company Limited expects significant dividends from the equity investment in Adamjee Insurance Company Limited which will eventually enhance the return on investment to the shareholders of D. G. Khan Cement Company Limited.

The directors have carried out necessary due diligence for the proposed investment. The duly signed recommendation of the due diligence report shall be made available to the members for inspection in the annual general meeting. The latest annual audited and reviewed financial statements shall be available for inspection in the annual general meeting.

Information Under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

<table>
<tr><td colspan="4">(a) Disclosure for all types of investments:</td></tr>
<tr><td colspan="4">(A) Disclosure regarding associated company</td></tr>
<tr><td>(i)</td><td colspan="2">Name of Associated Company or Associated Undertaking</td><td>Adamjee Insurance Company Limited</td></tr>
<tr><td>(ii)</td><td colspan="2">Basis of Relationship</td><td>Common Directorship</td></tr>
<tr><td>(iii)</td><td colspan="2">Earnings / (Loss) per Share for the last three years</td><td>PKR 5.55, 9.98 and 3.49 as per audited financial statements of AICL for the year ended December 31, 2015, 2016 and 2017 respectively and PKR 3.00 as per un-audited financial statements for the half year ended June 30, 2018.</td></tr>
<tr><td>(iv)</td><td colspan="2">Break-up value per Share, based on last audited financial statements</td><td>PKR 47.98 per share as at 31 December 2017.</td></tr>
<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 financial statements</td><td>
<table>
<tr><th>Balance Sheet</th><th>2017
Rs. Million</th><th>Operating Data</th><th>2017
Rs. Million</th></tr>
<tr><td>Paid up Capital</td><td>3,500</td><td>Gross Premium</td><td>18,522</td></tr>
<tr><td>Reserves</td><td>1,430</td><td>Net Premium</td><td>11,535</td></tr>
<tr><td>Equity</td><td>16,794</td><td>Net Claims</td><td>7,434</td></tr>
<tr><td>Investments (Book Value)</td><td>16,619</td><td>Net Commission</td><td>1,090</td></tr>
<tr><td>Investments (Market Value)</td><td>21,673</td><td>Underwriting Result</td><td>1,239</td></tr>
<tr><td>Fixed Assets</td><td>2,620</td><td>Underwriting Expenses</td><td>1,893</td></tr>
<tr><td>Cash & Bank Deposits</td><td>4,299</td><td>General and Administrative expenses</td><td>784</td></tr>
<tr><td>Other Assets</td><td>18,750</td><td>Financial Charges</td><td>-</td></tr>
<tr><td>Total Assets</td><td>42,287</td><td>Total Management Expenses</td><td>2,677</td></tr>
<tr><td>Total Liabilities</td><td>25,493</td><td>Investment Expenses</td><td>1,482</td></tr>
<tr><td></td><td></td><td>Profit / (Loss) Before Tax</td><td>2,121</td></tr>
<tr><td></td><td></td><td>Profit After Tax</td><td>1,221</td></tr>
</table>
</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>
</table>

	IV	Expected time by which the project shall start paying return on investment	N/A
	V	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	N/A
(B) General Disclosures:			
(i)	Maximum amount of investment to be made		PKR 721,620,000/- (Rupees Seven Hundred Twenty One Million Six Hundred Twenty Thousand Only).
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment		The Company expects significant dividends from the equity investment in Adamjee Insurance Company Limited which will eventually enhance the return on investment of its shareholders.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:		The investment will be made from company's available 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
(vi)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment		No agreement is required as the shares will be purchased from the open market.
(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 of D. G. Khan Cement Company Limited (DGKCC), their relatives and associated companies holding shares of Adamjee Insurance Company Limited (AICL) are interested to the extent of their shareholding as under:- **Directors:** — **% of Shareholding** Mrs. Naz Mansha — 0.00 Mian Raza Mansha — 0.04 Mr. Muhammad Arif Hameed (Common Director) — 0.00 **Relatives:** Mian Umer Mansha — 0.02 Mian Hassan Mansha — 0.02 Both sons of Mrs. Naz Mansha and brothers of Mian Raza Mansha. **Associated Companies** Nishat Mills Limited — 0.03

<table>
<tr><td></td><td></td><td>The directors of AICL are interested in DGKCC to the extent of their shareholding as under:-

Name — % of Shareholding
Mian Umer Mansha — 6.23
Mr. Muhammad Arif Hameed (Common Director) — 0.00

The associated companies holding shares of AICL are interested in DGKCC to the extent of their shareholding as follows:

Name — % of Shareholding
Nishat Mills Limited — 31.40</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>D. G. Khan Cement Company Limited has already made an equity investment of Rs. 1,332.447 million in 27,229,235 ordinary shares of Adamjee Insurance Company Limited, an associated company. Dividend income received from this investment over the last five years is as follows:

Year — Amount (Rs.) in Million
2014 — 22.544
2015 — 48.161
2016 — 62.966
2017 — 62.639
2018 — 68.073
Total — 264.383</td></tr>
<tr><td>(vii)</td><td>Any other important details necessary for the members to understand the transaction</td><td>None</td></tr>
<tr><td colspan="3">(b) Additional disclosure regarding Equity Investment</td></tr>
<tr><td>(i)</td><td>Maximum price at which securities will be acquired</td><td>Rs. 95 per share</td></tr>
<tr><td>(ii)</td><td>In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof</td><td>N/A</td></tr>
<tr><td>(iii)</td><td>Maximum number of securities to be acquired</td><td>7,596,000 Shares</td></tr>
<tr><td>(iv)</td><td>Number of securities and percentage thereof held before and after the proposed investment</td><td>— No. of Shares — %age
Before — 27,229,235 — 7.78
After — 34,825,235 — 9.95</td></tr>
<tr><td>(v)</td><td>Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities</td><td>N/A</td></tr>
<tr><td>(v)</td><td>Fair value determined in terms of sub-regulation (1) regulation 5 for investments in unlisted securities</td><td>N/A</td></tr>
</table>

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	
Total Investment Approved:	Equity investment upto Rupees 850 million was approved by members in EOGM held on March 28, 2018.	Guarantee / continuing Stand by Letter(s) of Credit (SBLC) for an amount of up to PKR 1,000 Million for a tenure of 7.5years was approved by members in EOGM held on March 28, 2018.
Amount of Investment Made to date:	Investment of Rupee 150 million has been made against this approval to date.	Nil
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.	No guarantee has been extended after the approval because such request has not yet been made by the investee company.
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, 2018 the basic loss per share is Rs. 1.42 and breakup value per share is Rs. 9.33.	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, 2018 the basic loss per share is Rs. 1.42 and breakup value per share is Rs. 9.33.

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 Extra Ordinary General Meeting of the Company to be held on October 27, 2018 (Saturday), at 11:00 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 ______ 2018

Signed by the said member ______________________

in presence of ______________________

Please affix revenue stamp Rs. 5

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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POSTAGE

Nishat House, 53-A, Lawrence Road,
Lahore-Pakistan.
UAN:+92-42-111-11-33-33

پراکسی فارم

میں/ہم مسمی/مسماۃ---------------------------ساکن---------------------------ضلع---------------------------

بحیثیت ممبر کمپنی، مسمی/مسماۃ---------------------------ساکن---------------------------کمپنی ممبر یا اُسکی عدم موجودگی کی صورت میں

مسمی/مسماۃ---------------------------ساکن---------------------------کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں تاکہ وہ میری/ہماری جگہ

اور میری/ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ ۲۷ اکتوبر ۲۰۱۸ء بوقت صبح 11:00 بجے امپوریم مال، دی نشاط ہوٹل، ٹریڈ اینڈ فنانس سنٹر بلاک، نزد ایکسپو سنٹر، عبدالحق روڈ، جوہر ٹاؤن، لاہور میں منعقد ہو رہا ہے میں بول سکے اور ووٹ ڈال سکے۔

دستخط بتاریخ-------------- دن----------2018ء

پانچ 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

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Lahore-Pakistan.
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