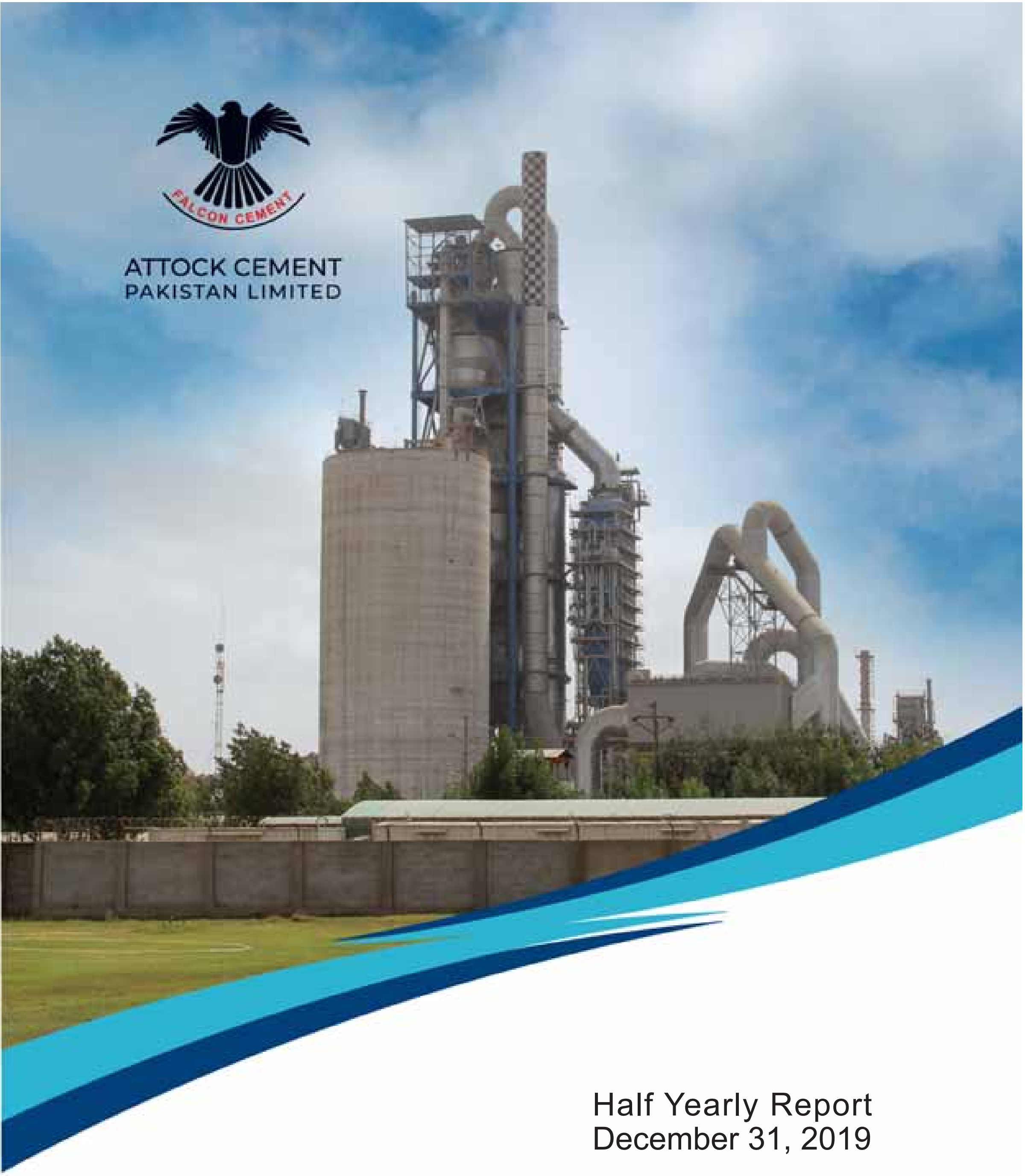

Half Yearly Report
December 31, 2019

CONTENTS

COMPANY INFORMATION

Board of Directors

Laith G. Pharaon	Chairman
Wael G. Pharaon	
Shuaib A. Malik	
Abdus Sattar	
Agha Sher Shah	
Sajid Nawaz	
Babar Bashir Nawaz	

Chief Executive
Babar Bashir Nawaz

Alternate Directors
Shuaib A. Malik
Irfan Amanullah

Audit Committee of the Board

Agha Sher Shah	Chairman
Shuaib A. Malik	Member
Abdus Sattar	Member

HR & Remuneration Committee

Agha Sher Shah	Chairman
Shuaib A. Malik	Member
Abdus Sattar	Member

Company Secretary
Irfan Amanullah

Chief Financial Officer
Muhammad Rehan

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors
M/s. HNT & Associates

Company Information

Bankers
The Bank of Punjab
Allied Bank Limited
MCB Bank Limited
Askari Bank Limited
United Bank Limited
Habib Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Dubai Islamic Bank Limited
Faysal Bank Limited

Registered Office
D - 70, Block-4, Kehkashan-5
Clifton, Karachi-75600
Tel: (92-21) 35309773-4
UAN: (92) 111 17 17 17
Fax: (92-21) 35309775
Email: acpl@attockcement.com
Website: www.attockcement.com

Plants
1. Hub Chowki, Lasbella,
   Baluchistan.

2. Cement Grinding Unit
   Industrial Sector, Land No. 1/7, Sector-56,
   Al-Arquli Al Janobi, Khor Al-Zubair,
   Basra, Iraq.

Share Registrar
M/s. FAMCO Associates (Pvt) Limited
8-F, Near Hotel Faran,
Nursery, Block-6, PECHS
Shahra-e-Faisal, Karachi.
Tel: (92-21) 34380101-5,
(92-21) 34384621-3
Fax: (92-21) 34380106

DIRECTORS' REVIEW

The Directors are pleased to announce the results of the Company for the half year ended December 31, 2019.

OPERATIONAL & FINANCIAL REVIEW

Production and sales figures for the half year ended December 31, 2019 are as follows:

		July-Dec. 2019	July-Dec. 2018
		------------------- Tons	--------------------
Clinker Production		1,496,614	1,576,772
Cement Production		995,046	1,239,931
Cement Dispatches	- Local	671,442	987,143
	- Export	329,633	267,033
		1,001,075	**1,254,176**
Clinker Dispatches	- Export	663,465	439,912
Total Dispatches		**1,664,540**	**1,694,088**
Clinker Capacity Utilization		104%	109%

During the half year under review the Company utilized 104% of its overall clinker production capacity and all the three lines continued to operate well above their original rated capacities.

The overall plant operations remained smooth, efficient and stable due to implementation of comprehensive preventive maintenance plan.

Industry Review

During the first half of fiscal year 2019-2020, the industry as a whole achieved growth of 7% mainly due to higher clinker exports. The local market showed overall growth of 3.5% whereas exports picked up by 23%.

In the local market of south, where your company is situated, construction activities remained under pressure due to economic un-certainties and influx of low priced cement brands from North in the market of South. As a result, it showed negative growth of (27%) in volumetric terms, however, it was to a large extent, compensated through higher export of clinker and cement in regional markets and accordingly exports were up by 42%. Consequent to that the net reduction in south market was recorded at 4%.

During the first half of fiscal year 2019-2020 the industry has faced tremendous challenges on account of slowdown in construction activities, lower retentions and increase in competition due to enhanced capacities and higher input costs & financial charges.

Sales Review

During the period under review, your company faced stiff competition in the markets of South mostly derived from influx of low priced cement brands from North. Accordingly 20% to 25% of market size of South has been taken away by these brands and overall market of South both in terms of volumetric growth and net retention has been badly affected.

However, the company maintained its dominant position in its core market of Karachi both in terms of volume share and price due to strong brand loyalty and superior quality. However, gradually, because of influx of north brands and arrival of new capacities in South the company is facing stiff challenges in maintaining its superiority and market share in Lower Punjab, Upper and Lower Sindh and part of Baluchistan.

As a result the overall local sales of the company went down by 315,701 tons (32%) as compared to corresponding period. In local sales company focused more towards its core market of Karachi and ensured that it continues its dominant position in this market both in terms of quantity and price in order to ensure a reasonable margin / profit.

In order to compensate this massive down fall in local sales, your company aggressively explored export markets both for cement and clinker and as a result cement exports increased by 62,600 tones (23%) and clinker exports surged by 223,553 tones (51%).

In cement exports, Sri Lanka remained the primary market for company's products, followed by East Africa. During the period under review, the exports to India halted due to imposition of 200% duty by the Indian Government. As far as clinker exports, Bangladesh was the main market with almost 52% quantities went to this market. However, the company also successfully explored Sri Lanka, East Africa and Qatar markets for clinker.

Financial Review

Despite overall lower sales in volumetric terms, the company was able to achieve the net sales revenue of Rs. 10.6 billion which is marginally lower than comparable period last year. The overall net retention (both cement & clinker) is increased by Rs 98 per ton (2%) primarily due to better sales mix and also the rupee devaluation against US Dollar improved the overall retention from export markets.

Production cost per ton has shown decrease of Rs.73 per ton (1%). Even though, coal prices in the international market is significantly reduced by almost 30% as compared to same period last year. However, said reduction in prices is partially offset against the devaluation of rupee against US Dollar. Furthermore, in December 2019, NEPRA approved the Fuel Charge Adjustment to K-Electric pertaining prior years from July 2016 to June 2019 which has also affected profitability of the company. Similarly all other major input cost elements like paper bags, raw material cost, diesel etc have also shown rising trends.

Owing to better net retention achieved, the gross margin has shown some decent improvements and has increased from 21% to 23% as compared to the corresponding period. However due to increase in distribution cost the operating margins reduced from 13% to 11%.

For the period ended December 31, 2019, the company reported Net profit after Tax of Rs. 763 million (Dec 31, 2018: Rs 817) lowered by 7% as compared to corresponding period due to increase in finance cost owing to higher interest rates.

FUTURE OUTLOOK

The first half of the fiscal year 2019-2020 was very challenging on economic front as the massive devaluation combined with higher interest rates and lower government spending on development work significantly impacted the overall demand pattern and economic activities in the country. Furthermore, the arrival of new capacities across country also imbalanced the demand supply equation and in the absence of any significant improvement in demand the overall prices went down significantly. It is anticipated that this trend will continue in 2nd half of the fiscal year 2019-2020.

Coal prices have started to move up and recently the South African coal has recorded on C&F price of around US $ 85/ton which is the highest of last 36 months. With low GDP growth numbers, higher interest rates owing to double digit inflation and increase in electricity charges, it is becoming increasingly difficult for the company to maintain the margins. Efforts are being made to improve the cost efficiencies and net retention through better market mix in order to minimize the impacts of rising cost escalations.

The Government has taken various steps for the stabilization of economy and hopefully the results of these steps would be more visible in next 6-12 months. We hope that once the projects under China Pakistan Economic Corridor, construction of new water reservoirs and Naya Pakistan Housing Scheme, the flagship project of the Government, would materialize then demand of cement would also start to pick up.

On behalf of the Board

BABAR BASHIR NAWAZ
Director & Chief Executive
January 21, 2020
Dubai, U.A.E.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

ON REVIEW OF INTERIM FINANCIAL STATEMENTS

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Attock Cement Pakistan Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Attock Cement Pakistan Limited as at December 31, 2019 and the related unconsolidated condensed interim statement of profit or loss and other comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to these financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

Scope of Review

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

Conclusion

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: January 28, 2020

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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Unconsolidated Condensed Interim Financial Statements

Unconsolidated Condensed Interim Statement of Financial Position

As at December 31, 2019

	Note	(Unaudited) December 31, 2019	(Audited) June 30, 2019
		----------------Rupees '000------------------	
ASSETS			
Non-current assets			
Fixed assets - property, plant and equipment	5	17,379,268	17,685,584
Long-term investments	6	1,854,666	1,836,541
Long-term loans and advances - considered good		47,517	47,593
Long-term deposits		99,940	99,940
		19,381,391	19,669,658
Current assets			
Inventories	7	3,122,208	3,395,522
Trade receivables - considered good		1,163,740	795,061
Loans and advances - considered good		179,026	87,931
Short-term deposits and prepayments		53,986	45,212
Other receivables	8	227,888	235,807
Taxation - payments less provision		2,386,392	2,602,240
Tax refunds due from Government - Sales tax		372,436	182,587
Cash and bank balances	9	625,464	302,586
		8,131,140	7,646,946
Total assets		27,512,531	27,316,604
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital - issued, subscribed and paid-up capital		1,374,270	1,374,270
Unappropriated profit		14,938,213	14,725,189
		16,312,483	16,099,459
LIABILITIES			
Non-current liabilities			
Long-term loans	10	1,562,500	2,187,500
Long-term lease liabilities		52,955	7,915
Deferred tax liabilities		567,996	351,283
Employee benefit obligations		260,312	266,878
		2,443,763	2,813,576
Current liabilities			
Trade and other payables		3,886,010	3,577,440
Unclaimed dividend		10,649	10,182
Accrued mark-up		137,736	143,867
Short-term borrowings	11	4,709,915	4,669,202
Current portion of long-term lease liabilities		11,975	2,878
		8,756,285	8,403,569
Total liabilities		11,200,048	11,217,145
Contingencies and commitments	12		
Total equity and liabilities		27,512,531	27,316,604

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Muhammad Rehan	Babar Bashir Nawaz	Abdus Sattar
Chief Financial Officer	Chief Executive	Director

Unconsolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended December 31, 2019 - Unaudited

	Note	Quarter ended		Half year ended	
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
		Rupees '000			
Revenue from contracts with customers	13	**5,642,935**	4,954,181	**10,611,018**	10,634,223
Cost of sales		**(4,449,682)**	(3,903,010)	**(8,117,906)**	(8,385,953)
Gross profit		**1,193,253**	1,051,171	**2,493,112**	2,248,270
Distribution costs	14	**(574,319)**	(279,061)	**(1,062,566)**	(749,396)
Administrative expenses		**(134,581)**	(122,723)	**(265,645)**	(252,112)
Other expenses		**(32,000)**	(36,000)	**(68,000)**	(61,000)
Other income	15	**24,326**	73,212	**44,678**	134,545
Profit from operations		**476,679**	686,599	**1,141,579**	1,320,307
Finance cost	16	**(187,847)**	(177,881)	**(346,347)**	(300,541)
Share of net income of associate accounted for using equity method		**2,500**	-	**2,500**	-
Profit before income tax		**291,332**	508,718	**797,732**	1,019,766
Income tax expense	17	**113,750**	(114,976)	**(35,000)**	(202,976)
Profit for the period		**405,082**	393,742	**762,732**	816,790
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the period		**405,082**	393,742	**762,732**	816,790
Basic and diluted earnings per share (Rs.)	18	**2.95**	2.87	**5.55**	5.94

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Muhammad Rehan
Chief Financial Officer

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Unconsolidated Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2019 - Unaudited

	Share capital	Unappropriated profit	Total
	-----------------------------	Rupees '000	-----------------------------
Balance as at July 1, 2018	1,145,225	13,727,410	14,872,635
Final dividend for the year ended June 30, 2018 @ Rs. 8 per share	-	(916,180)	(916,180)
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	229,046	(229,046)	-
Total comprehensive income for the half year ended December 31, 2018	-	816,790	816,790
Balance as at December 31, 2018	1,374,271	13,398,974	14,773,245
Balance as at July 1, 2019	**1,374,270**	**14,725,189**	**16,099,459**
Final dividend for the year ended June 30, 2019 @ Rs. 4 per share	**-**	**(549,708)**	**(549,708)**
Total comprehensive income for the half year ended December 31, 2019	**-**	**762,732**	**762,732**
Balance as at December 31, 2019	**1,374,270**	**14,938,213**	**16,312,483**

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Muhammad Rehan	**Babar Bashir Nawaz**	**Abdus Sattar**
Chief Financial Officer	Chief Executive	Director

Unconsolidated Condensed Interim Statement of Cash Flows

For the half year ended December 31, 2019 - Unaudited

	Note	December 31, 2019	December 31, 2018
		----------------Rupees '000---------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	1,513,276	573,841
Finance cost paid		(352,478)	(236,194)
Income tax refunds / (paid)		397,561	(287,744)
Decrease in long-term loans and advances		76	919
Employee benefit obligations paid		(47,562)	(82,579)
Net cash generated from / (used in) operating activities		1,510,873	(31,757)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(43,926)	(290,366)
Placement in term deposit receipt		(29,000)	-
Investment in subsidiary company		(15,625)	(203,067)
Proceeds from disposal of operating assets		3,553	3,648
Profit on PLS savings accounts		7,269	5,307
Net cash used in investing activities		(77,729)	(484,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(549,241)	(914,059)
Current portion of long-term loan repaid		(625,000)	(625,000)
Lease rentals paid		(5,738)	(2,472)
Net cash used in financing activities		(1,179,979)	(1,541,531)
Net increase / (decrease) in cash and cash equivalents		253,165	(2,057,766)
Cash and cash equivalents at beginning of the period		(3,116,616)	(1,037,572)
Cash and cash equivalents at end of the period	20	(2,863,451)	(3,095,338)

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Muhammad Rehan	**Babar Bashir Nawaz**	**Abdus Sattar**
Chief Financial Officer	Chief Executive	Director

Selected Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan on October 14, 1981 as a public limited company and is listed on Pakistan Stock Exchange. Its main business activity is manufacturing and sale of cement. The registered office of the Company is at D-70, Block-4, Kehkashan-5, Clifton, Karachi. The Company's cement manufacturing plant is located in Tehsil Hub, District Lasbella, Balochistan. The Company also has a representative / liaison office in Dubai, UAE, to explore business opportunities in the growing markets of Middle East and Africa.

The Company is a subsidiary of Pharaon Investment Group Limited Holding S.A.L., Lebanon.

1.2 The company has investment in subsidiary company - Saqr Al Keetan for Cement Production Company Limited (SAKCPCL) incorporated in Basra, Iraq. These unconsolidated financial statements are the separate financial statements of the company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

2. BASIS OF PREPARATION

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

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

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

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

These unconsolidated condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2019.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognsied. The only exceptions are short term and low value leases.

The changes laid down by this standard have been disclosed in note 3.1 of these unconsolidated condensed interim financial statements of the Company.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant for the Company's condensed interim financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019, except as disclosed in note 3.1.

Selected Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

3.1 Changes in accounting policies

3.1.1 IFRS 16 'Leases'

Effective July 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting polices relating to Company's right-of-use asset and lease liability are disclosed in note 3.1.2.

The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of July 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 14%.

The following summary reconciles the Company's operating lease commitments at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

	Rupees '000
Operating lease commitment as at July 1, 2019	**84,141**
Discounted using the lessee’s incremental borrowing rate at the date of initial application	**(24,266)**
Lease liability recognised as at July 1, 2019	**59,875**
of which are:	
- Current lease liabilities	**8,252**
- Non-current lease liabilities	**51,623**

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

The recognised right-of-use assets relate to the following types of assets:

	December 31, 2019	July 1, 2019
	----------------Rupees '000----------------	
Leasehold buildings	**52,421**	**59,875**

The change in accounting policy affected the following items in the statement of unconsolidated condensed interim statement of financial position on July 1, 2019:

	July 1, 2019
	Rupees '000
Right-of-use asset - increased by	59,875
Lease liabilities - increased by	59,875

The change in accounting policy affected the following items in the unconsolidated condensed interim statement of profit or loss account on December 31, 2019:

	December 31, 2019
	Rupees '000
Finance charges on finance lease - increased by	3,031
Administrative expenses which includes depreciation and rent expenses - decreased by	122

3.1.2 Lease liability and right-of-use asset

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

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

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

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

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

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

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these unconsolidated condensed interim financial statements requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2019.

5. FIXED ASSETS - property, plant and equipment

	December 31, 2019	(Audited) June 30, 2019
	----Rupees '000----	
Operating assets - note 5.1	**16,558,685**	16,708,856
Capital work-in-progress - note 5.2	**3,885**	204,459
Right of use assets - note 5.3	**59,875**	-
Less: Depreciation	**(7,454)**	-
	52,421	-
Stores held for capital expenditures	**764,277**	772,269
	17,379,268	17,685,584

5.1 Additions to operating assets during the period were as follows:

	December 31, 2019	December 31, 2018
	----Rupees '000----	
Buildings and roads on freehold land	**797**	3,787
Plant and machinery	**284,496**	135,560
Vehicles	**17,365**	21,846
Others	**13,217**	3,211
	315,875	164,404
Disposals during the period - Net book value	**1,895**	1,260
Transfer to stores during the period - Net book value	**63,401**	30,694

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
5.2 Capital work-in-progress		
Civil works	-	27,502
Plant & machinery	3,885	176,957
	3,885	204,459

5.3 The right-of-use assets comprise leasehold buildings used by the Company for its operations.

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
6. LONG-TERM INVESTMENTS		
Investment in subsidiary company		
Saqr Al-Keetan For Cement Production Company Limited - at cost - note 6.1	1,823,001	1,807,376
Investment in associated company accounted for using equity method		
Attock Information Technology Services (Private) Limited - 450,000 (June 30, 2019: 450,000) fully paid ordinary shares of Rs. 10 each	31,665	29,165
	1,854,666	1,836,541

6.1 The Company has a Joint Venture agreement with Al Geetan Commercial Agencies, Iraq, to form a limited liability company in Iraq. The principal activity of the company is manufacturing and sale of cement for which it has built a cement grinding plant having production capacity of approximately 900,000 metric tons per annum. The new limited liability company has been established and registered under the Iraqi law on November 3, 2014 by the name Saqr Al-Keetan for Cement Production Company Limited (SAKCPCL) having share capital of 30,000,000 Iraqi Dinar. Attock Cement Pakistan Limited will hold 60% share in the company. The expected investment of the Company in foreign subsidiary would be USD 24 million. During the period, the company has invested USD 0.1 million (June 30, 2019: USD 2.75 million) making its total investment to USD 16.3 million (June 30, 2019: USD 16.20 million). In 2019, the Company had started its trial production with locally available clinker. During the current period, the Company obtained the license for import of clinker as required by local laws and commenced commercial production from September 1, 2019 after satisfactory completion of performance test.

Equity investment in Saqr Al-Keetan for Cement Production Company Limited, Basra Iraq has been approved by the members in its Extra Ordinary General Meeting held on May 12, 2015, as was required under section 208 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017).

Selected Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

		December 31, 2019	(Audited) June 30, 2019
		----------------Rupees '000----------------	
7.	**INVENTORIES**		
	Stores, spares and loose tools - note 7.1	**2,181,944**	1,988,856
	Raw materials	**175,951**	101,350
	Packing materials	**124,551**	161,513
	Work-in-process	**498,706**	975,008
	Finished goods	**141,056**	168,795
		3,122,208	3,395,522
7.1	Stores, spares and loose tools		
	Coal - note 7.1.1	**1,064,603**	911,853
	Stores and spares - note 7.1.2	**995,549**	1,045,738
	Bricks	**172,256**	76,326
	Loose tools	**2,570**	2,771
		2,234,978	2,036,688
	Less: Provision for slow moving and obsolete items	**(53,034)**	(47,832)
		2,181,944	1,988,856

7.1.1 This includes coal in transit of Rs. Nil (June 30, 2019: Rs. 560.03 million).

7.1.2 This includes stores and spares in transit amounting to Rs. 49.83 million (June 30, 2019: Rs. 86.9 million).

8. OTHER RECEIVABLES

Other receivables include Rs. 199.64 million (June 30, 2019: Rs. 186.88 million) incurred by the Company for its Iraq project that are recoverable from the subsidiary.

		December 31, 2019	(Audited) June 30, 2019
9.	**CASH AND BANK BALANCES**	----------------Rupees '000----------------	
	Cash at bank		
	- On PLS savings accounts		
	Local currency	**423,896**	239,071
	Foreign currency	**642**	642
	- Term deposit receipt (TDR) - note 9.1	**29,000**	-
	- On current accounts		
	Local currency	**139,567**	41,052
	Foreign currency	**30,821**	21,263
	Cash in hand	**1,538**	558
		625,464	302,586

9.1 This carries mark up at 13.04% per annum payable at maturity and is due to mature by November 27, 2020. The TDR is held under lien against the guarantee issued by bank on behalf of the Company.

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
10. LONG-TERM LOAN		
Long-term loan	**2,187,500**	3,437,500
Less: Current portion of long-term loan	**(625,000)**	(1,250,000)
	1,562,500	2,187,500

10.1 The Company had entered into a syndicated finance agreement in 2016 with a consortium of banks for a term finance facility of Rs. 7 billion for the installation of cement production line 3 and WHRS. The facility carries a mark-up of 3 months KIBOR plus 0.25% p.a. which is payable on quarterly basis. The tenure of this facility is 6 years including the grace period of 2 years. Upto December 31, 2019, the Company had drawn Rs. 5 billion and repaid Rs. 2.82 billion.

10.2 The above syndicated finance facility is secured by first ranking hypothecation charge over all movable assets of the Company.

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
11. SHORT-TERM BORROWINGS		
Short term running finance - notes 11.1 & 11.2	**1,459,915**	1,419,202
Export refinance facility - note 11.1 & 11.3	**2,000,000**	2,000,000
Current maturity of long-term loan - note 10	**1,250,000**	1,250,000
	4,709,915	4,669,202

11.1 The facilities available from various banks amount to Rs. 6.6 billion (June 30, 2019: Rs. 6.4 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Company's inventories and trade receivables.

11.2 The rates of mark-up ranged between one month KIBOR minus 0.20% and one month KIBOR plus 0.50% (June 30, 2019: one month KIBOR minus 0.20% and one month KIBOR plus 0.50%) per annum.

11.3 The export refinance facilities available from different banks are secured by way of hypothecation of inventories and trade receivables and carry mark up ranging between State Bank of Pakistan (SBP) export refinance rate plus 0.70% to 1%.

12. CONTINGENCIES AND COMMITMENTS

12.1 There has been no change in the status of contingencies as reported in annual financial statements for the year ended June 30, 2019 except for the following:

12.1.1 In 2019, an order was passed by Deputy Commissioner Inland Revenue (DCIR) against the Company in relation to its filed sales tax returns for the months of July 2013 through June 2018 in which the Company has been alleged for incorrectly claiming input tax of blocked / non-active suppliers and of building materials of Rs. 235 million along with a penalty of Rs. 12 million. Commissioner Inland Revenue-Appeals (CIRA) has allowed the claim of input sales tax on building materials only and confirmed the order of the DCIR in relation to other issues in appeal filed by the Company. The Company has now filed an appeal at the Appellate Tribunal Inland Revenue (ATIR) against the judgement of the CIRA which is pending adjudication.

Based on the advice of its tax counsel, management is confident that the outcome of above appeal would be favorable, hence no provision has been made in these financial statements.

12.2 Commitments for capital expenditure outstanding as at December 31, 2019 amounted to Rs. 6.81 million (June 30, 2019: Rs. 3.9 million).

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	
13. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Local sale of goods	**8,098,591**	10,417,457
Sales tax	**(1,340,346)**	(1,730,943)
Federal excise duty	**(1,337,369)**	(1,474,374)
	(2,677,715)	(3,205,317)
Rebates, discount and commission	**(255,084)**	(121,516)
Net local sale of goods	**5,165,792**	7,090,624
Export sales	**5,950,431**	3,780,945
Freight	**(505,205)**	(237,346)
	5,445,226	3,543,599
	10,611,018	10,634,223

14. DISTRIBUTION COSTS

14.1 This includes Rs. 852.31 million (December 31, 2018: Rs. 627.97 million) incurred in respect of export sales.

14.2 This also includes trade receivable amounting to Rs. 1.5 million written off during the period in respect of export sales.

Selected Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

		December 31, 2019	December 31, 2018
		----------------Rupees '000----------------	
15.	**OTHER INCOME**		
	Profit on PLS savings accounts under markup arrangements	**7,269**	5,307
	Exchange gain	**-**	95,873
	Scrap sales	**34,060**	22,477
	Gain on disposal of operating assets	**1,658**	-
	Others	**1,691**	10,888
		44,678	134,545

16. FINANCE COST

This includes foreign exchange loss amounting to Rs. 10.86 million.

17.	**INCOME TAX EXPENSE**		
	Current	**182,000**	184,298
	Deferred	**(147,000)**	18,678
		35,000	202,976

18.	**BASIC AND DILUTED EARNINGS PER SHARE**		
	Profit for the period	**762,732**	816,790
	Weighted average number of outstanding shares at the end of the period (in thousand)	**137,427**	137,427
	Basic and diluted earnings per share (Rupees)	**5.55**	5.94

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	
19. CASH GENERATED FROM OPERATIONS		
Profit before income tax	**797,732**	1,019,766
Add / (Less): Adjustments for non-cash charges and other items		
Depreciation	**408,222**	397,421
Gain on disposal of property, plant and equipment	**(1,658)**	(2,388)
Provision for stores, spares and loose tools	**5,202**	251
Interest income	**(7,269)**	(5,307)
Finance cost	**346,347**	300,541
Employee benefit obligations	**40,996**	41,392
Share of net income of associate accounted for using equity method	**(2,500)**	-
Profit before working capital changes	**1,587,072**	1,751,676
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	**268,112**	337,585
Trade receivables	**(368,679)**	(125,986)
Loans and advances	**(91,095)**	6,004
Short-term deposits and prepayments	**(8,774)**	(43,742)
Tax refunds due from Government - sales tax	**(189,849)**	203,671
Other receivables	**7,919**	1,459
	(382,366)	378,991
Increase / (decrease) in current liabilities		
Trade and other payables	**308,570**	(1,556,826)
	(73,796)	(1,177,835)
Cash generated from operations	**1,513,276**	573,841
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances excluding TDR having term of more than 3 months	**596,464**	256,707
Short-term running finance	**(1,459,915)**	(3,352,045)
Export refinance facility	**(2,000,000)**	-
	(2,863,451)	(3,095,338)

Selected Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	
21. TRANSACTIONS WITH RELATED PARTIES		
Transactions with related parties during the period are as follows:		
Holding Company		
Dividend paid	**462,105**	770,176
Bonus shares issued	**-**	192,544
Recovery of expenses	**10**	1,804
Subsidiary company		
Investment	**15,625**	203,067
Expense incurred on behalf of subsidiary company	**12,766**	33,440
Associated companies		
Purchase of goods	**279,362**	230,735
Reimbursement of expenses	**1,085**	4,178
Recovery of expenses	**6,703**	6,497
Other related parties		
Payments made to retirement benefit funds	**47,562**	82,579
Key management personnel		
Loans and advances recovered during the period	**-**	1,507
Salaries and other short-term employee benefits	**84,498**	76,440
Post-employment benefits	**2,336**	2,124

22. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were approved and authorised for issue by the Board of Directors of Company on January 21, 2020.

Muhammad Rehan	**Babar Bashir Nawaz**	**Abdus Sattar**
Chief Financial Officer	Chief Executive	Director

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Consolidated Condensed Interim Financial Statements

Consolidated Condensed Interim Statement of Financial Position

As at December 31, 2019

	Note	(Unaudited) December 31, 2019	(Audited) June 30, 2019
		-----------------Rupees '000-----------------	
ASSETS			
Non-current assets			
Fixed assets - property, plant and equipment	5	21,834,910	22,269,354
Long-term investment	6	31,665	29,165
Long-term loans and advances - considered good		47,517	47,593
Long-term deposits		99,940	99,940
		22,014,032	22,446,052
Current assets			
Inventories	7	3,464,930	3,408,050
Trade receivables - considered good		1,192,584	795,061
Loans and advances - considered good		179,026	87,931
Short-term deposits and prepayments		453,655	55,082
Other receivables		28,247	48,932
Taxation - payments less provision		2,386,392	2,602,240
Tax refunds due from Government - sales tax		372,436	182,587
Cash and bank balances	8	845,565	450,262
		8,922,835	7,630,145
Total assets		30,936,867	30,076,197
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,374,270	1,374,270
Unappropriated profit		15,173,225	14,725,189
Exchange revaluation reserve		759,108	855,895
Attributable to owners of Attock Cement Pakistan Limited- Holding company		17,306,603	16,955,354
Non-controlling interests		2,051,654	1,708,303
		19,358,257	18,663,657
LIABILITIES			
Non-current liabilities			
Long term loans	9	1,562,500	2,187,500
Long term lease liabilites		52,955	7,915
Deferred tax liabilities		567,996	351,283
Employee benefits obligations		260,312	266,878
		2,443,763	2,813,576
Current liabilities			
Trade and other payables		4,264,572	3,772,835
Unclaimed dividend		10,649	10,182
Accrued mark-up		137,736	143,867
Short term borrowings	10	4,709,915	4,669,202
Current portion of long term lease liabilites		11,975	2,878
		9,134,847	8,598,964
Total liabilities		11,578,610	11,412,540
Contingencies and commitments	11		
Total equity and liabilities		30,936,867	30,076,197

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muhammad Rehan	**Babar Bashir Nawaz**	**Abdus Sattar**
Chief Financial Officer	Chief Executive	Director

Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended December 31, 2019 - Unaudited

	Note	Quarter ended		Half year ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees '000			
Revenue from contracts with customers	12	7,087,892	4,954,181	12,459,954	10,634,223
Cost of sales		(5,539,913)	(3,903,010)	(9,544,658)	(8,385,953)
Gross profit		1,547,979	1,051,171	2,915,296	2,248,270
Distribution costs	13	(577,492)	(279,061)	(1,066,747)	(749,396)
Administrative expenses		(144,781)	(122,723)	(278,701)	(252,112)
Other expenses		(32,000)	(36,000)	(68,000)	(61,000)
Other income	14	24,326	73,212	44,678	134,545
Profit from operations		818,032	686,599	1,546,526	1,320,307
Finance cost	15	(201,013)	(177,881)	(359,608)	(300,541)
Share of net income of associate accounted for using equity method		2,500	-	2,500	-
Profit before income tax		619,519	508,718	1,189,418	1,019,766
Income tax expense	16	113,750	(114,976)	(35,000)	(202,976)
Profit for the period		733,269	393,742	1,154,418	816,790
Other comprehensive income:					
Items that will be reclassified to profit or loss					
Exchange revaluation reserve		(49,039)	347,165	(158,986)	413,190
Total comprehensive income		684,230	740,907	995,432	1,229,980
Total comprehensive income attributable to:					
Owners of Attock Cement Pakistan Limited-Holding Company		571,296	609,194	900,957	1,074,641
Non-controlling interests		112,934	131,713	94,475	155,339
		684,230	740,907	995,432	1,229,980
Basic and diluted earnings per share (Rupees)	17	5.34	2.87	8.40	5.94

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muhammad Rehan
Chief Financial Officer

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Consolidated Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2019 - Unaudited

	Attributable to the owners of the Holding Company					
	Share capital	Unappropriated profit	Exchange revaluation reserve	Sub-Total	Non-controlling interests	Total Equity
	-----	-----	-----Rupees '000-----	-----	-----	-----
Balance as at July 01, 2018	1,145,225	13,727,410	217,129	13,944,539	946,558	16,036,322
Final dividend for the year ended June 30, 2018 @ Rs. 8 per share	-	(916,180)	-	(916,180)	-	(916,180)
Bonus shares issued during the year in the ratio of 20 shares for every 100 shares held	229,045	(229,045)	-	(229,045)	-	-
Equity contribution by Non-controlling interests	-	-	-	-	144,396	144,396
Total comprehensive income for the half year ended December 31, 2018						
Profit for the half year ended December 31, 2018	-	816,790	-	816,790	-	816,790
Other comprehensive income for the half year ended December 31, 2018	-	-	257,851	257,851	155,339	413,190
	-	816,790	257,851	1,074,641	155,339	1,229,980
Balance as at December 31, 2018	1,374,270	13,398,975	474,980	13,873,955	1,246,293	16,494,518
Balance as at July 01, 2019	**1,374,270**	**14,725,189**	**855,895**	**15,581,084**	**1,708,303**	**18,663,657**
Final dividend for the year ended June 30, 2019 @ Rs. 4 per share	**-**	**(549,708)**	**-**	**(549,708)**	**-**	**(549,708)**
Equity contribution by Non-controlling interests	**-**	**-**	**-**	**-**	**248,876**	**248,876**
Total comprehensive income for the half year ended December 31, 2019	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the half year ended December 31, 2019	**-**	**997,744**	**-**	**997,744**	**156,674**	**1,154,418**
Other comprehensive income for the half year ended December 31, 2019	**-**	**-**	**(96,787)**	**(96,787)**	**(62,199)**	**(158,986)**
	-	**997,744**	**(96,787)**	**900,957**	**94,475**	**995,432**
Balance as at December 31, 2019	**1,374,270**	**15,173,225**	**759,108**	**15,932,333**	**2,051,654**	**19,358,257**

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muhammad Rehan	**Babar Bashir Nawaz**	**Abdus Sattar**
Chief Financial Officer	Chief Executive	Director

Consolidated Condensed Interim Statement of Cash Flows

For the half year ended December 31, 2019 - Unaudited

	Note	December 31, 2019	December 31, 2018
		-----------------Rupees '000-----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	1,428,108	777,209
Finance cost paid		(365,739)	(236,194)
Income tax refunds / (paid)		397,561	(287,744)
Decrease in long-term loans and advances		76	919
Employee benefit obligations paid		(47,562)	(82,579)
Net cash generated from operating activities		1,412,444	171,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(123,073)	(1,016,966)
Proceeds from disposal of operating assets		3,553	3,648
Placement in term deposit receipt		(29,000)	-
Profit on PLS savings accounts		7,269	5,307
Net cash used in investing activities		(141,251)	(1,008,011)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(549,241)	(914,059)
Current portion of long term loan repaid		(625,000)	(625,000)
Amount received from non-controlling interests		248,876	144,396
Lease rental paid		(5,738)	(2,472)
Net cash used in financing activities		(931,103)	(1,397,135)
Net increase / (decrease) in cash and cash equivalents		340,090	(2,233,535)
Cash and cash equivalents at beginning of the period		(2,968,940)	(728,113)
Effects of exchange rate changes on cash and cash equivalents		(14,500)	35,963
Cash and cash equivalents at end of the period	19	(2,643,350)	(2,925,685)

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muhammad Rehan	**Babar Bashir Nawaz**	**Abdus Sattar**
Chief Financial Officer	Chief Executive	Director

Selected Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of:

Holding Company - Attock Cement Pakistan Limited (the "Company")

The Holding Company was incorporated in Pakistan on October 14, 1981 as a public limited company and is listed on Pakistan Stock Exchange. Its main business activity is manufacturing and sale of cement. The registered office of the Company is at D-70, Block-4, Kehkashan-5, Clifton, Karachi. The Company's cement manufacturing plant is located in Tehsil Hub, District Lasbella, Balochistan. The Company also has a representative / liaison office in Dubai, UAE, to explore business opportunities in the growing markets of Middle East and Africa.

Pharaon Investment Group Limited Holding S.A.L., Lebanon is the ultimate holding company as it holds 84.06% of the total paid-up share capital of the company.

Subsidiary Company - Saqr Al Keetan for Cement Production Company Limited (SAKCPCL)

SAKCPCL was incorporated under the Iraqi law on November 3, 2014. Its main business activity is manufacturing and sale of cement and the principal place of business is in Iraq. The registered office of the company is at House # 35, Square 29, Near Al Buradia Super Market, Al Rbeea District Al Buradia, Basra. The company's cement manufacturing plant is located in Industrial Sector, Land No. 1/7, Sector 56, Al-Arquli Al-Janobi, Khor Al-Zubair, Basra, Iraq.

In 2019, SAKCPCL had started its trial production with locally available clinker. During the current period, SAKCPCL obtained the license for import of clinker as required by local laws and commenced commercial production from September 1, 2019 after satisfactory completion of performance test.

2. BASIS OF PREPARATION

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

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

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

These consolidated condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2019.

2.1. Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 16 ‘Leases’ - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognsied. The only exceptions are short term and low value leases.

The changes laid down by this standard have been disclosed in note 3.1 of these consolidated condensed interim financial statements of the Group.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant for the Group's consolidated condensed interim financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended June 30, 2019, except as disclosed in note 3.1.

3.1. Changes in accounting policies

3.1.1. IFRS 16 'Leases'

Effective July 1, 2019, the Group has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting polices relating to Group's right-of-use asset and lease liability are disclosed in note 3.1.2.

The Group has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of July 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 14%.

The following summary reconciles the Group's operating lease commitments at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

	Rupees '000
Operating lease commitment as at July 1, 2019	**84,141**
Discounted using the lessee’s incremental borrowing rate at the date of initial application	**(24,266)**
Lease liability recognised as at July 1, 2019	**59,875**
of which are:	
- Current lease liabilities	**8,252**
- Non-current lease liabilities	**51,623**

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

The recognised right-of-use assets relate to the following types of assets:

	December 31, 2019	July 1, 2019
	--------------Rupees '000--------------	
Leasehold buildings	**59,875**	**59,875**

The change in accounting policy affected the following items in the statement of consolidated condensed interim statement of financial position on July 1, 2019:

	July 1, 2019 Rupees '000
Right-of-use asset - increased by	**59,875**
Lease liabilities - increased by	**59,875**

The change in accounting policy affected the following items in the consolidated condensed interim statement of profit or loss account on December 31, 2019:

	December 31, 2019 Rupees '000
Finance charges on finance lease - increased by	**3,031**
Administrative expenses which includes depreciation and rent expenses - decreased by	**122**

3.1.2 Lease liability and right-of-use asset

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

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

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

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

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

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

The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

The preparation of these consolidated condensed interim financial statements requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these consolidated condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2019.

The Group’s financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2019.

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
5. FIXED ASSETS - property, plant and equipment		
Operating assets - note 5.1	20,906,560	16,758,931
Capital work-in-progress - note 5.2	28,170	4,738,154
Right of use assets - note 5.3	59,875	-
Less: Depreciation	(7,454)	-
	52,421	-
Stores held for capital expenditures	847,759	772,269
	21,834,910	22,269,354

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	

5.1 Additions to operating assets during the period were as follows:

	December 31, 2019	December 31, 2018
Buildings and roads on freehold land	521,295	3,787
Plant and machinery	4,118,834	135,560
Vehicles	17,365	25,311
Others	19,374	5,780
	4,676,868	170,438
Disposals during the period - Net book value	1,895	1,260
Transfer to stores during the period - Net book value	63,401	30,694

5.2 Capital work-in-progress

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
Civil works	24,285	1,414,716
Plant & machinery	3,885	2,561,963
Others	-	761,475
	28,170	4,738,154

5.3 The right-of-use assets comprise leasehold buildings used by the Group for its operations.

6. LONG-TERM INVESTMENT

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
Investment in associated company accounted for using equity method		
Attock Information Technology Services (Private) Limited - 450,000 (June 30, 2019: 450,000) fully paid ordinary shares of Rs. 10 each	31,665	29,165

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
7. INVENTORIES		
Stores, spares and loose tools - note 7.1	2,211,619	1,988,856
Raw materials	379,214	105,580
Packing materials	201,102	169,811
Work-in-process	498,706	975,008
Finished goods	174,289	168,795
	3,464,930	3,408,050
7.1 Stores, spares and loose tools		
Coal - note 7.1.1	1,064,603	911,853
Stores and spares - note 7.1.2	1,025,224	1,045,738
Bricks	172,256	76,326
Loose tools	2,570	2,771
	2,264,653	2,036,688
Less: Provision for slow moving and obsolete items	(53,034)	(47,832)
	2,211,619	1,988,856

7.1.1 This includes coal in transit amounting to Rs. Nil (June 30, 2019: Rs. 560.03 million).

7.1.2 This includes stores and spares in transit amounting to Rs. 49.83 million (June 30, 2019: Rs. 86.90 million).

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
8. CASH AND BANK BALANCES		
Cash at bank		
- On PLS savings accounts		
Local currency	423,918	239,071
Foreign currency	642	664
- Term deposit receipt (TDR)	29,000	-
- On current accounts		
Local currency	353,902	41,052
Foreign currency	30,821	128,397
Cash in hand	7,282	41,078
	845,565	450,262

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
9. LONG TERM LOAN		
Long term loan	2,187,500	3,437,500
Less: Current portion of long term loan	(625,000)	(1,250,000)
	1,562,500	2,187,500

9.1 The Group had entered into a syndicated finance agreement in 2016 with a consortium of banks for a term finance facility of Rs. 7 billion for the installation of cement production line 3 and WHRS. The facility carries a mark-up of 3 months KIBOR plus 0.25% p.a. which is payable on quarterly basis. The tenure of this facility is 6 years including the grace period of 2 years. Upto December 31, 2019, the Group had drawn Rs. 5 billion and repaid Rs. 2.82 billion.

9.2 The above syndicated finance facility is secured by first ranking hypothecation charge over all movable assets of the Holding Company.

	December 31, 2019	(Audited) June 30, 2019
	----------------Rupees '000----------------	
10. SHORT TERM BORROWINGS		
Short term running finance - note 10.1 & 10.2	1,459,915	1,419,202
Export refinance facility - note 10.1 & 10.3	2,000,000	2,000,000
Current maturity of long-term loan - note 9	1,250,000	1,250,000
	4,709,915	4,669,202

10.1 The facilities available from various banks amount to Rs. 6.6 billion (June 30, 2019: Rs. 6.4 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Group's inventories and trade receivables.

10.2 The rates of mark-up ranged between one month KIBOR minus 0.20% and one month KIBOR plus 0.50% (June 30, 2019: one month KIBOR minus 0.20% and one month KIBOR plus 0.50%) per annum.

10.3 The export refinance facilities available from different banks are secured by way of hypothecation of inventories and trade receivables and carry mark up ranging between State Bank of Pakistan (SBP) export refinance rate plus 0.70% to 1%.

11. CONTINGENCIES AND COMMITMENTS

11.1 There has been no change in the status of contingency as reported in annual financial statements for the year ended June 30, 2019 except for the following:

11.1.1 In 2019, an order was passed by Deputy Commissioner Inland Revenue (DCIR) against the Company in relation to its filed sales tax returns for the months of July 2013 through June 2018 in which the Company has been alleged for incorrectly claiming input tax of blocked / non-active suppliers and of building materials of Rs. 235 million along with a penalty of Rs. 12 million. Commissioner Inland Revenue-Appeals (CIRA) has allowed the claim of input sales tax on building materials only and confirmed the order of the DCIR in relation to other issues in appeal filed by the Company. The Company has now filed an appeal at the Appellate Tribunal Inland Revenue (ATIR) against the judgement of the CIRA which is pending adjudication.

Based on the advice of its tax counsel, management is confident that the outcome of above appeal would be favorable, hence no provision has been made in these financial statements.

11.2 Commitments for capital expenditure outstanding as at December 31, 2019 amounted to Rs. 6.81 million (June 30, 2019: Rs. 3.90 million).

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	
12. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Local sale of goods	9,947,527	10,417,457
Sales tax	(1,340,346)	(1,730,943)
Federal excise duty	(1,337,369)	(1,474,374)
	(2,677,715)	(3,205,317)
Commission	(255,084)	(121,516)
Net local sales of goods	7,014,728	7,090,624
Export sales	5,950,431	3,780,945
Freight	(505,205)	(237,346)
	5,445,226	3,543,599
	12,459,954	10,634,223

13. DISTRIBUTION COSTS

13.1 This includes Rs. 852.31 million (December 31, 2018: Rs. 627.97 million) incurred in respect of export sales.

13.2 This also includes trade receivable amounting to Rs. 1.5 million written off during the period in respect of export sales of Holding Company.

Selected Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	
14. OTHER INCOME		
Profit on PLS savings accounts under markup arrangements	7,269	5,307
Exchange gain	-	95,873
Scrap Sales	34,060	22,477
Others	3,349	10,888
	44,678	134,545

15. FINANCE COST

This includes foreign exchange loss amounting to Rs. 10.86 million.

16. INCOME TAX EXPENSE		
Current	182,000	184,298
Deferred	(147,000)	18,678
	35,000	202,976
17. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the period	1,154,418	816,790
Weighted average number of outstanding shares at the end of the period (in thousand)	137,427	137,427
Basic and diluted earnings per share (Rupees)	8.40	5.94

Selected Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

	December 31, 2019	December 31, 2018
	----Rupees '000----	
18. CASH GENERATED FROM OPERATIONS		
Profit before income tax	1,189,418	1,019,766
Add / (Less): Adjustments for non-cash charges and other items		
Depreciation	466,222	397,421
Gain on disposal of property, plant and equipment	(1,658)	(2,388)
Provision for stores, spares and loose tools	5,202	251
Profit on PLS savings accounts	(7,269)	(5,307)
Finance cost	359,608	300,541
Employee benefit obligations	40,996	41,392
Share of net income of associate accounted for using equity method	(2,500)	-
Profit before working capital changes	2,050,019	1,751,676
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(68,040)	337,585
Trade receivables	(398,007)	(125,986)
Loans and advances	(97,966)	6,004
Short-term deposits and prepayments	(398,573)	(53,492)
Tax refunds due from Government - Sales tax	(189,849)	203,671
Other receivables	20,685	34,852
	(1,131,750)	402,634
Increase / (decrease) in current liabilities		
Trade and other payables	509,839	(1,377,101)
	(621,911)	(974,467)
Cash generated from operations	1,428,108	777,209
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances excluding TDR having term of more than 3 months	816,565	426,360
Short-term running finance	(1,459,915)	(3,352,045)
Export refinance facility	(2,000,000)	-
	(2,643,350)	(2,925,685)

Selected Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements

For the half year ended December 31, 2019 - Unaudited

20. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during the period are as follows:

	December 31, 2019	December 31, 2018
	----------------Rupees '000----------------	
Holding Company		
Dividend paid	462,105	770,176
Bonus shares issued	-	192,544
Recovery of expenses	10	1,804
Group companies		
Purchase of goods	279,362	230,735
Reimbursement of expenses	1,085	4,178
Recovery of expenses	6,703	6,497
Other related parties		
Payments made to retirement benefit funds	47,562	82,579
Key management personnel		
Loans and advances recovered during the period	-	1,507
Salaries and other short-term employee benefits	84,498	76,440
Post-employment benefits	2,336	2,124

21. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Holding Company on January 21, 2020.

Muhammad Rehan
Chief Financial Officer

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

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