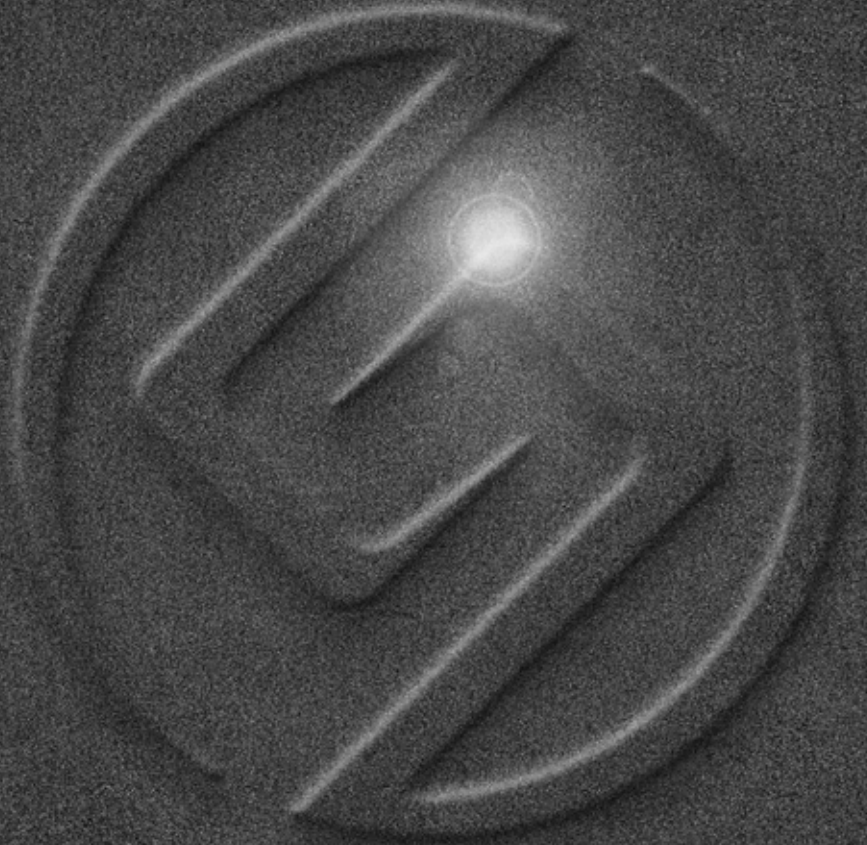


Half Yearly Report
December 2019



THATTA CEMENT
COMPANY LIMITED

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Vision

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

Mission

To provide quality products to customers at competitive prices; and

To generate sufficient profit to add to the shareholder's value.

COMPANY INFORMATION

BOARD OF DIRECTORS

Ms. Naheed Memon	Chairperson
Mr. Khawaja Muhammad Salman Younis	Director
Mr. Saleem Zamindar	Director
Mr. Noor Muhammad	Director
Mr. Agha Sher Shah	Director
Mr. Muhammad Aslam Shaikh	Chief Executive

AUDIT COMMITTEE

Mr. Saleem Zamindar	Chairman
Mr. Khawaja Muhammad Salman Younis	Member
Mr. Noor Muhammad	Member

HR & REMUNERATION COMMITTEE

Mr. Agha Sher Shah	Chairman
Ms. Naheed Memon	Member
Mr. Muhammad Aslam Shaikh	Member

IT STEERING COMMITTEE

Mr. Khawaja Muhammad Salman Younis	Chairman
Mr. Muhammad Aslam Shaikh	Member
Mr. Fuad Bhuri	Member

CHIEF FINANCIAL OFFICER

Mr. Fuad Bhuri

COMPANY SECRETARY

Mr. Muhammad Abid Khan

STATUTORY AUDITOR

M/s Grant Thornton Anjum Rahman,
Chartered Accountants

CORPORATE ADVISOR

M/s Moore Shekha & Mufti, Chartered Accountants

LEGAL ADVISOR

M/s Usmani & Iqbal

BANKERS - CONVENTIONAL

National Bank of Pakistan
Sindh Bank Limited
Summit Bank Limited
MCB Bank Limited

REGISTERED OFFICE

Office No. 606-608A, Continental Trade
Center, Block 8, Clifton, Karachi.
UAN: 0092-21-111-842-882
Fax no.: 0092-21-35303074-75
Website: www.thattacement.com
E-mail: info@thattacement.com

FACTORY

Ghulamullah Road, Makli,
District Thatta, Sindh 73160

SHARE REGISTRAR

THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi-75400
UAN: 021-111-000-322
Fax: 021-34168271
Website: www.thk.com.pk

DIRECTORS' REVIEW

The Board of Directors present herewith their review together with the un-audited condensed interim financial statements for the half year ended December 31, 2019.

OVERVIEW

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

Description	December 31, 2019	December 31, 2018	Variance	
		Metric Tons		%
Production				
Clinker	190,490	201,367	(10,877)	(5.40)
Cement	113,424	202,876	(50,476)	(44.09)
GGBFS	-	260	(260)	(100)
Dispatches				
Cement-Local	112,174	202,924	(90,750)	(44.72)
Clinker-Local	31,588	17,916	13,672	76.31
Clinker-Export	46,888	102,370	(55,482)	(54.20)
GGBFS-Local	-	260	(260)	(100)

The clinker production of your Company during the period under review was 190,490 tons resulting in capacity utilization of 74.70% in comparison with the clinker production of 201,367 tons implying capacity utilization of 78.96% during the corresponding period of previous year.

INDUSTRY REVIEW

Local cement sales in South where your Company is situated showed a decline of 27.41% whereas exports showed a growth of 41.87% as compared to the corresponding period. Tax reforms by the Government, introduction of axle load policy, implementation of stiff 'Know Your Customer' procedures have adversely affected the economy and resulted in slow down of construction activities in the Country. This has in-turn resulted in reduced demand of cement hence affected the sales and profitability of the entire sector.

SALES REVIEW

Cement sales of the Company during the half year ended December 31, 2019 decreased by 44.09% in terms of volume. Introduction of large capacities in Cement Industry and decrease in overall demand of cement have resulted in stiff competition which has adversely affected both sales price and sales volume hence resulting in reduced sales revenue during the period.

FINANCIAL REVIEW

A comparison of the financial results of the Company's performance for the half year ended December 31, 2019 with the same period last year is as under:

Particulars	Decemeber 31, 2019	Decemeber 31, 2018
	----- Rupees in thousands -----	
Sales – net	1,155,323	1,992,777
Gross profit	90,907	387,974
Selling & Distribution Cost	72,383	137,572
Finance Cost	25,684	29,001
(Loss)/Profit before taxation	(31,041)	163,943
(Loss)/Profit for the period	(52,089)	119,016
(Loss)/Earning per share (Rupee)	(0.52)	1.19

Cost of sales ratio to sales has increased to 92.13% during the period as compared to 80.53% in the corresponding period last year. Increase is mainly attributable to fixed cost charged as period cost in accordance with International Financial Reporting Standards, due to lower production of clinker in relation to installed capacity during the half year ended on December 31, 2019. Moreover, there is rising trend in prices of packing material, transportation charges and other input cost.

Distribution cost has declined by 47.38% during the period as compared to the corresponding period mainly due to decline in sales.

FUTURE OUTLOOK

Construction industry is a major economic driver for the economy. It provides jobs to millions of skilled and un-skilled workers and also supports more than 40 major allied industries of construction materials. Government has started taking initiatives to revive construction activities in the country and we are hopeful that in near future economic slowdown currently facing the country would begin to reverse.

On the other hand, cement sales will continue to remain challenging going forward as increase in cost of doing business due to high inflation and high interest rates prevailing in the Country, downward trend in selling prices due to stiff competition and surplus capacities, upward trend in prices for input costs, rising fuel prices and transportation costs will remain to be the key barriers in the growth of the sector.

Nevertheless, management is making its efforts to achieve sales targets through efficient utilization of existing resources and by exploring new avenues for sale of cement and clinker. Efforts are also being made to reduce the cost of doing business wherever possible and improve gross margins.

PERFORMANCE OF THE GROUP

A brief of the financial position and performance of the Group for the half year ended December 31, 2019 is provided below.

December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

Operating Results

Statement of Financial Position

Property, plant and equipment	4,416,015	4,403,521
Stock-in-Trade	445,340	370,977
Trade Debts	947,503	881,813
Total Equity - Holding Company	3,692,869	3,639,915
Trade and Other payables	390,406	428,056

December 31, 2019	December 31, 2018
----- Rupees in thousands -----	

Statement of Profit or Loss

Sales - net	1,505,828	2,333,383
Gross Profit	298,839	589,077
Selling, Distribution cost & Administrative Expense	122,983	194,145
Profit before taxation	140,488	347,572
Profit for the period	116,169	300,916
Earnings per share (in Rupees)	0.53	2.33

WASTE HEAT RECOVERY [WHR] PROJECT OF THATTA POWER (PRIVATE) LIMITED

By the grace of Allah the Almighty, test run of Waste Heat Recovery [WHR] has been successfully completed and the project has started its commercial operations during the period under review. We hope this project will help us in generating revenues and better utilization of resources in time ahead.

ACKNOWLEDGEMENT

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage. The Directors acknowledge the relentless efforts and dedicated services, team work, loyalty and hard work of all the employees of the Company and hope their continued dedication shall further consolidate the Company and keep it abreast to face future developments and demands.



Muhammad Aslam Shaikh
Chief Executive



Naheed Memon
Chairperson


Karachi: February 24, 2020

آغاز بھی کر چکا ہے۔ ہم امید کرتے ہیں کہ یہ منصوبہ نہ صرف ہماری آمدن میں اضافے کا باعث بنے گا بلکہ اس کی وجہ سے ہم اپنے ذرائع پیداوار کو مزید موثر انداز میں چلانے کے قابل بھی ہو گئے۔

اعتراف خدمات


ڈائریکٹرز کمپنی کے تمام حصص داران، مالیاتی اداروں اور اپنے صارفین کے بے حد مشکور ہیں کہ ان کا تعاون، حمایت اور رہنمائی ہمارے شامل حال رہے۔ ڈائریکٹرز کمپنی کے ملازمین کی جانب سے انتھک محنت، اجتماعی کوششوں اور اخلاص نیت کا احترام کرتے ہیں اور اس بات کی امید کرتے ہیں کہ مستقبل میں بھی کمپنی کو مزید مستحکم بنانے کیلئے ان کی جانب سے اسی جوش و جذبے کا اظہار کیا جائے گا اور ان کی کوششوں کے نتیجے میں کمپنی مستقبل میں پیش آنے والے چیلنجز سے نبرد آزما ہونے کیلئے تیار رہے گی۔

منجانب بورڈ



ناہید مین

چئیر پرسن



محمد اسلم شیخ

چیف ایگزیکٹو

کراچی: 24 فروری 2020

دوسری جانب سینٹ کی فروخت مزید کچھ عرصے مسائل سے دوچار رہے گی، کیونکہ ملک میں موجودہ بلند شرح نمو اور سود کی وجہ سے کاروباری لاگت میں اضافہ، اضافی پیداواری صلاحیت اور سخت مسابقتی ماحول کی وجہ سے ہونے والے قیمت فروخت میں کمی کے رجحان، مد اعلیٰ لاگت میں اضافے کا رجحان، ایندھن اور ترسیل کی قیمتوں میں اضافہ سینٹ کی صنعت کی ترقی میں بنیادی رکاوٹیں ہیں۔

تاہم موجودہ وسائل کو بہتر انداز سے بروئے کار لاتے ہوئے انتظامیہ کی جانب سے پوری کوشش کی جارہی ہے کہ فروخت کے اہداف کو حاصل کیا جاسکے اور سینٹ اور کلنر کی فروخت کیلئے نئے مواقع تلاش کئے جائیں۔ اس کے علاوہ یہ کوششیں بھی کی جارہی ہیں کہ کاروباری لاگت میں جہاں تک ممکن ہو کی لائی جائے اور خام منافع کی شرح کو بہتر کیا جائے۔

گروپ کی کارکردگی

31 دسمبر 2019 کو ختم ہونے والی ششماہی کے دوران گروپ کی مالیاتی پوزیشن اور کارکردگی کو ذیل میں پیش کیا جا رہا ہے:

December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

Operating Results

Statement of Financial Position

Property, plant and equipment	4,416,015	4,403,521
Stock-in-Trade	445,340	370,977
Trade Debts	947,503	881,813
Total Equity - Holding Company	3,692,869	3,639,915
Trade and Other payables	390,406	428,056

December 31, 2019	December 31, 2018
----- Rupees in thousands -----	

Statement of Profit or Loss

Sales - net	1,505,828	2,333,383
Gross Profit	298,839	589,077
Selling, Distribution cost & Administrative Expense	122,983	194,145
Profit before taxation	140,488	347,572
Profit for the period	116,169	300,916
Earnings per share (in Rupees)	0.53	2.33

ویسٹ ہیٹ ریکوری منصوبہ

اللہ تعالیٰ کے فضل و کرم سے ویسٹ ہیٹ ریکوری (WHR) کا آزمائشی تجربہ کامیابی کے ساتھ کیا جا چکا ہے اور زیر نظر دورانیے میں ہی منصوبہ اپنے کمرشل آپریشنز کا

کمپنی کی فروخت کا جائزہ

زیر نظر ششماہی میں 31 دسمبر 2019 تک کمپنی کی فروخت میں بلحاظ حجم 44.09 فیصد کمی آئی ہے۔ مقامی سطح پر سیمنٹ فیکٹریوں کی پیداواری صلاحیتوں میں اضافے کی وجہ سے سخت مسابقتی صورتحال پیدا ہوئی جس کے منفی اثرات کی وجہ سے قیمت فروخت اور فروخت کا حجم دونوں ہی دباؤ کا شکار رہے، جس کے نتیجے میں کمپنی کی آمدن از فروخت کمی کا شکار ہوئی۔

مالیاتی کارکردگی

31 دسمبر 2019 کو ختم ہونے والی ششماہی اور گزشتہ سال کی ششماہی کا تقابلی جائزہ درج ذیل ہے:

Particulars	Decemeber 31, 2019	Decemeber 31, 2018
	----- Rupees in thousands -----	
Sales - net	1,155,323	1,992,777
Gross profit	90,907	387,974
Selling & Distribution Cost	72,383	137,572
Finance Cost	25,684	29,001
(Loss)/Profit before taxation	(31,041)	163,943
(Loss)/Profit for the period	(52,089)	119,016
(Loss)/Earning per share (Rupee)	(0.52)	1.19

لاگت برائے فروخت بلحاظ فروخت، جو گزشتہ مالی سال کے اسی عرصے کے دوران 80.53 فیصد تھی، اس سال بڑھ کر 92.13 فیصد ہو گئی ہے۔ لاگت میں ہونے والے اس اضافے کی وجہ معین لاگت کو بطور لاگت برائے دورانہ درج کیا جانا ہے جو کہ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کے عین مطابق ہے، کیونکہ 31 دسمبر 2019 کو ختم ہونے والی ششماہی کے دوران نصب شدہ پیداواری صلاحیت کے مقابلے میں کلنکر کی پیداوار میں کمی واقع ہوئی ہے۔ علاوہ ازیں، بیکنگ میٹرنل، ٹرانسپورٹ کے اخراجات اور دیگر پیداواری لاگت میں بھی اضافے کا رجحان پایا گیا ہے۔

لاگت برائے ترسیل میں گزشتہ مالی سال کے اسی عرصے کے مقابلے میں 47.38 فیصد کمی کی درج کی گئی ہے جس کی بنیادی وجہ فروخت کے حجم میں آنے والی کمی ہے۔

مستقبل کا جائزہ

تعمیرات کی صنعت ملک کی معیشت کا اہم ستون ہے۔ اس صنعت کی وجہ سے لاکھوں ہنرمند اور غیر ہنرمند افراد کو روزگار فراہم ہوتا ہے اور تعمیرات سے منسلک تقریباً 40 سے زائد صنعتوں کا پھیلنا بھی اسی صنعت کے دم سے گھومتا ہے۔ حکومت کی جانب سے ملک میں تعمیراتی سرگرمیوں کو ایک مرتبہ پھر بحال کرنے کیلئے اقدامات اٹھائے جا رہے ہیں اور ہم امید کرتے ہیں کہ مستقبل قریب میں موجودہ معاشی سست روی اپنے اختتام کو پہنچے گی۔

ڈائریکٹرز جائزہ رپورٹ

ڈائریکٹرز کا تجزیہ

ٹھٹھہ سینٹ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019 کو ختم ہونے والی ششماہی کے غیر آڈٹ شدہ مالیاتی نتائج ذیل میں پیش خدمت ہیں۔

مجموعی جائزہ

31 دسمبر 2019 کو ختم ہونے والی ششماہی کے دوران پیداوار اور فروخت سے متعلق اعداد و شمار ذیل میں پیش کئے جا رہے ہیں:

Description	December 31, 2019	December 31, 2018	Variance	
	Metric Tons			%
Production				
Clinker	190,490	201,367	(10,877)	(5.40)
Cement	113,424	202,876	(50,476)	(44.09)
GGBFS	-	260	(260)	(100)
Dispatches				
Cement-Local	112,174	202,924	(90,750)	(44.72)
Clinker-Local	31,588	17,916	13,672	76.31
Clinker-Export	46,888	102,370	(55,482)	(54.20)
GGBFS-Local	-	260	(260)	(100)

رواں ششماہی کے دوران کمپنی کی جانب سے کلنکر کی پیداوار 190,490 ٹن رہی جو کہ پیداواری گنجائش کا 74.70 فیصد ہے۔ جبکہ گزشتہ سال اسی عرصے کے دوران کلنکر کی پیداوار 201,367 ٹن تھی جو کہ پیداواری گنجائش کا 78.96 فیصد تھی۔

صنعتی جائزہ

سائڈ تھری ریجن، جہاں آپ کی کمپنی بھی واقع ہے، میں مقامی سطح پر سینٹ کی فروخت میں 27.41 فیصد کی کمی واقع ہوئی ہے جبکہ گزشتہ مالی سال کے اسی عرصے کے مقابلے میں رواں ششماہی کے دوران برآمدات میں 41.87 فیصد کا اضافہ درج کیا گیا ہے۔ حکومت کی جانب سے ٹیکس اصلاحات، ایکسل لوڈ پالیسی کا نفاذ اور "اپنے کسٹمر کو پہچانئے" کے نام سے سخت پالیسیوں کے نفاذ کی وجہ سے معیشت پر منفی اثرات مرتب ہوئے ہیں اور ان اثرات کی وجہ سے پاکستان میں تعمیرات کا عمل بری طرح متاثر ہوا ہے۔ اس سبب روٹی کی وجہ سے سینٹ کی طلب میں بھی کمی آئی ہے جس کے نتیجے میں کمپنی کی فروخت اور منافع میں کمی واقع ہوئی ہے۔



Grant Thornton

An instinct for growth™

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF THATTA CEMENT COMPANY LIMITED

GRANT THORNTON ANJUM RAHMAN

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Modern Motors House
Beaumont Road,
Karachi 75530

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F +92 021 3568 8834
www.gtak.com

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Thatta Cement Company Limited** (the Company) as at **December 31, 2019** and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim statement of changes in equity and condensed interim unconsolidated statement of cash flows, together with notes to the financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim unconsolidated financial statements"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated 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 financial statements based on our review.

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 condensed interim unconsolidated 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

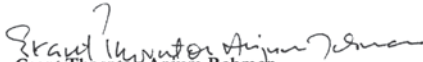
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial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



Other Matter

The figures for the quarters ended December 31, 2019 in these condensed interim unconsolidated profit or loss and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is **Muhammad Shaukat Naseeb**.


Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date: 24 FEB 2020

CONDENSED INTERIM
UNCONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2019

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- Rupees in thousands -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,053,496	2,086,685
Long term investment in Subsidiary		299,158	299,158
Long term deposits		1,096	1,096
Total non-current assets		2,353,750	2,386,939
CURRENT ASSETS			
Stores, spare parts and loose tools	7	188,704	314,592
Stock-in-trade	8	474,634	389,192
Trade debts	9	128,545	197,809
Advances		4,704	5,673
Trade deposits and short term prepayments		6,246	6,478
Other receivables and accrued interest		27,791	18,921
Taxation - net		213,905	217,726
Cash and bank balances		44,149	72,770
Total current assets		1,088,678	1,223,161
Total assets		3,442,428	3,610,100
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10.2	997,181	997,181
Capital Reserve			
Share premium		99,718	99,718
Revenue Reserve			
Accumulated profit		1,469,918	1,522,007
Total shareholders' equity		2,566,817	2,618,906
NON-CURRENT LIABILITIES			
Long term deposits		2,897	4,297
Long term employee benefits		18,553	17,744
Deferred taxation		298,526	293,868
Total non-current liabilities		319,976	315,909
CURRENT LIABILITIES			
Trade and other payables	11	273,726	292,087
Unclaimed dividend		2,494	2,540
Accrued mark-up		10,089	7,761
Current maturity of long term financing		-	87,817
Short term borrowings		269,326	285,080
Total current liabilities		555,635	675,285
Total liabilities		875,611	991,194
Total equity and liabilities		3,442,428	3,610,100
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the half year ended December 31, 2019

	Note	Half year ended		Quarter ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		----- Rupees in thousands -----			
Sales - net	13	1,155,323	1,992,777	756,868	1,290,036
Cost of sales	14	(1,064,416)	(1,604,803)	(702,200)	(1,022,835)
Gross profit		90,907	387,974	54,668	267,201
Selling and distribution cost		(72,383)	(137,572)	(62,351)	(120,792)
Administrative expenses		(47,274)	(53,806)	(23,363)	(26,954)
		(119,657)	(191,378)	(85,714)	(147,746)
Operating (loss) / profit		(28,750)	196,596	(31,046)	119,455
Other operating expenses		(630)	(18,517)	(143)	(9,323)
Finance cost		(25,684)	(29,001)	(11,297)	(12,045)
		(26,314)	(47,518)	(11,440)	(21,368)
Other income		24,023	14,865	15,498	6,387
(Loss) / profit before taxation		(31,041)	163,943	(26,988)	104,474
Taxation		(21,048)	(44,927)	(13,601)	(35,233)
(Loss) / profit for the period		(52,089)	119,016	(40,589)	69,241
(Loss) / earnings per share - basic and diluted (Rupees)	15	(0.52)	1.19	(0.41)	0.69

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the half year ended December 31, 2019

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- Rupees in thousands -----				
(Loss) / profit for the period	(52,089)	119,016	(40,589)	69,241
Other comprehensive (loss) / income				
<i>Items to be reclassified to unconsolidated statement of profit or loss account in subsequent periods</i>	-	-	-	-
<i>Items not to be reclassified to unconsolidated statement of profit or loss account in subsequent periods</i>	-	-	-	-
Total comprehensive (loss) / income for the period	(52,089)	119,016	(40,589)	69,241

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the half year ended December 31, 2019

	Half year ended	
	December 31, 2019	December 31, 2018
	----- Rupees in thousands -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(31,041)	163,943
Adjustment for:		
Depreciation	6.1 57,330	63,197
Amortization	-	1,400
(Reversal) / provision for slow moving & obsolete stores and spares	(136)	1,953
Finance cost	25,684	29,001
Provision for gratuity	7,966	6,838
Provision for leave encashment	1,261	1,565
Property, plant and equipment written off	3	248
Loss on disposal of property, plant and equipment	-	(7)
	92,108	104,195
Operating cash flows before working capital changes	61,067	268,138
Working capital changes		
Stores, spare parts and loose tools	125,686	323,151
Stock-in-trade	(85,442)	360,294
Trade debts	69,264	(391,430)
Advances	969	(28,427)
Trade deposits and short term prepayments	232	4,393
Other receivables and accrued interest	(8,870)	83,460
Trade and other payables excluding gratuity	(26,327)	(163,367)
	75,512	188,074
Cash generated from operations	136,579	456,212
Finance cost paid	(23,356)	(30,020)
Gratuity contribution paid	-	(19,984)
Leave encashment paid	(452)	(395)
Income tax paid	(12,569)	(39,982)
Long term deposits	(1,400)	(480)
Net cash generated from operating activities	98,802	365,351

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the half year ended December 31, 2019

	Note	Half year ended	
		December 31, 2019	December 31, 2018
----- Rupees in thousands -----			
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure	6	(23,807)	(30,570)
Proceeds from disposal of property, plant and equipment		-	9
Net cash used in investing activities		(23,807)	(30,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(87,817)	(115,967)
Unclaimed dividend paid		(46)	(140,946)
Net cash used in financing activities		(87,863)	(256,913)
Net (decrease) / increase in cash and cash equivalents		(12,867)	77,877
Cash and cash equivalents at beginning of the period		(212,310)	(294,315)
Cash and cash equivalents at end of the period		(225,177)	(216,438)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		44,149	71,601
Short term borrowings		(269,326)	(288,039)
		(225,177)	(216,438)

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the half year ended December 31, 2019

	Reserves			Total shareholders' equity
	Capital	Revenue		
	Share premium	Accumulated profits		
	----- Rupees in thousands -----			
Balance as at July 1, 2018 (audited)	997,181	99,718	1,459,891	2,556,790
<i>Transactions with owners recorded directly in equity</i>				
Final dividend @ Rs. 1.44 per share for the year ended June 30, 2018	-	-	(143,594)	(143,594)
Total comprehensive income for the period ended December 31, 2018	-	-	119,016	119,016
Balance as at December 31, 2018 (un-audited)	997,181	99,718	1,435,313	2,532,212
Balance as at July 1, 2019 (audited)	997,181	99,718	1,522,007	2,618,906
Total comprehensive income for the period ended December 31, 2019	-	-	(52,089)	(52,089)
Balance as at December 31, 2019 (un-audited)	997,181	99,718	1,469,918	2,566,817

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

1 STATUS AND NATURE OF BUSINESS

Thatta Cement Company Limited (the Company) was incorporated in Pakistan in 1980 as a public limited Company. The shares of the Company are quoted at the Pakistan Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.

The Company owns 62.43% shareholding of Thatta Power (Private) Limited (the subsidiary company). The principal business of the Subsidiary Company is generation and sale of electric power.

Half year ended	
December 31, 2019	December 31, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

2 SUMMARY OF SIGNIFICANT TRANSACTION

2.1 Sales - net

<u>1,155,323</u>	<u>1,992,777</u>
------------------	------------------

During the period, the sales of the Company has decreased by Rs. 837.454 million as a consequence of lower demand of cement in the south region, on account of slow construction related activities which is in turn is due to overall economic slow-down in the Country and budget cuts by the Government since the start of current financial period and unstable political conditions.

Management is hopeful that by the end of the next quarter i.e. March 31, 2020, economic slow-down in the Country would begin to improve. Also, the Government has begun to take measures to promote construction industry and look into the problems being faced by Steel and Cement sector currently.

(Un-audited)	(Audited)
December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

2.2 Current maturity of long term financing

<u>-</u>	<u>87,817</u>
----------	---------------

During the period outstanding balance of syndicated term finance facility (STFF) has been repaid fully amounting to Rs. 87,817 million.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These condensed interim unconsolidated financial statements for the half year ended December 31, 2019 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. The disclosures in these condensed interim unconsolidated financial statements do not include all of the information required in the annual audited unconsolidated financial statements and should be read in conjunction with the annual audited unconsolidated financial statements of the Company as at and for the year ended June 30, 2019.

These condensed interim unconsolidated financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations. However, a limited scope review has been carried out by the auditors. Further, the figures of condensed interim unconsolidated statement of profit or loss account for the quarter ended December 31, 2019 and 2018 have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half year ended December 31, 2019 and December 31, 2018.

These condensed interim unconsolidated financial statements comprises of the condensed interim unconsolidated statement of financial position as at December 31, 2019 and condensed interim unconsolidated statement of profit or loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity for the half year ended December 31, 2019.

3.2 Use of estimates and judgments

The preparation of these condensed interim unconsolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these condensed interim unconsolidated financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the annual audited unconsolidated financial statements as at and for the year ended June 30, 2019.

3.3 Basis of measurement

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policy notes.

These condensed interim unconsolidated financial statements have been prepared following accrual basis of accounting except for condensed interim unconsolidated statement of cash flows.

3.4 Functional and presentation currency

These condensed interim unconsolidated financial statements have been prepared and presented in Pakistani Rupee which is the Company's functional and presentation currency.

3.5 General

The figures have been rounded off to the nearest thousand of Rupees.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in preparation of the annual audited unconsolidated financial statements as at and for the year ended June 30, 2019, except for the adoption of new and amended standards as set out below:

4.1 Standards and amendments to published approved accounting standards which are effective during the half year ended December 31, 2019.

IFRS 9 "Financial Instruments"

SECP through S.R.O 985(I)/2019 dated September 2, 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of Expected Credit Loss (ECL) model shall not be applicable till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

Following are certain new standards and amendments to approved accounting standards which are mandatory for the Company's annual accounting period which began on July 1, 2019.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
----------------------------	--

IFRS 16 'Leases'	July 1, 2019
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IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance lease is removed.

Management has assessed the impact of IFRS 16 and concluded that there is no significant impact on these unconsolidated condensed interim financial statements.

4.2 Standards and amendments to published approved accounting standards that are not yet effective during the half year ended December 31, 2019.

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

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

The following 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 financial statements and hence not been detailed here.

IFRIC 23 - 'Uncertainty over income tax treatment' clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" are applied when there is uncertainty over tax treatment. The IFRIC applies to all aspects of Income Tax accounting, when there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax base of assets or liabilities, tax losses, credits and tax rate.

5 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to variety of financial risks: market risk (including currency risk, fair value of interest rate risk, cash flow risk, interest rate risks and price risks), credit risks and liquidity risks. These condensed interim unconsolidated financial statements include all financial risks, management information and disclosures required in the current financial statements and should read in conjunction with the Company's annual financial statements for the year ended June 30, 2019.

There has been no change in the risk management disclosures or any risk management policies since the year ended June 30, 2019.

		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
Note		----- Rupees in thousands -----	
6	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets	1,989,692	2,039,815
	Major stores and spares	63,804	46,870
		<u>2,053,496</u>	<u>2,086,685</u>
6.1	Operating fixed assets		
	Written Down Value (WDV) - opening	2,039,815	1,971,885
	Additions during the period / year - at cost		
	- Plant and machinery	4,767	206,276
	- Electrical installations	-	417
	- Quarry equipment	-	439
	- Office & other equipment	-	207
	- Laboratory equipment	1,299	836
	- Computer equipment	1,144	-
		7,210	208,175
	WDV of disposals during the period / year	-	(142)
	Fixed assets written off during the period / year	(3)	(249)
	Depreciation charge for the period / year	(57,330)	(139,853)
		(57,333)	(140,244)
	WDV - closing	<u>1,989,692</u>	<u>2,039,815</u>
6.2	Major stores and spares		
	Cost		
	Opening balance	84,175	86,644
	Additions during the year	23,985	12,217
	Transferred to operating fixed assets	(7,388)	(14,686)
	Closing balance	100,772	84,175
	Accumulated impairment		
	Opening balance	(37,305)	(31,546)
	Reversal / (charge) for the year	337	(5,759)
	Closing balance	(36,968)	(37,305)
	Net book value	<u>63,804</u>	<u>46,870</u>

		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
7	STORES, SPARE PARTS AND LOOSE TOOLS	----- Rupees in thousands -----	
	Coal and other fuels	-	128,020
	Stores & spare parts	215,610	213,314
	Loose tools	139	101
		<u>215,749</u>	<u>341,435</u>
	Provision for obsolete stores	7.1 (4,965)	(5,231)
	Provision for slow moving stores and spares	(22,080)	(21,612)
		<u>(27,045)</u>	<u>(26,843)</u>
		<u>188,704</u>	<u>314,592</u>

7.1 It includes reversal of obsolete stores of Rs. 0.2663 million (June 30, 2019: Nil) as at the date of condensed interim unconsolidated statement of financial position.

		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
8	STOCK-IN-TRADE	----- Rupees in thousands -----	
	Raw material	21,785	20,399
	Packing material	36,200	46,208
	Work-in-process	368,178	286,583
	Finished goods	48,471	36,002
		<u>474,634</u>	<u>389,192</u>

9	TRADE DEBTS		
	Considered good		
	Local - unsecured	128,545	197,809
	Considered doubtful		
	Cement stockiest	60,801	60,801
	Excessive rebate allowed	6,101	6,101
	Controller Military Accounts	5,126	5,126
	Other customers	2,183	2,182
	Provision as per IFRS 9	540	-
		<u>74,751</u>	<u>74,210</u>
	Provision for doubtful debts	(74,751)	(74,210)
		<u>128,545</u>	<u>197,809</u>

Thatta Cement

10 SHARE CAPITAL

(Un-audited)	(Audited)		(Un-audited)	(Audited)
December 31, 2019	June 30, 2019		December 31, 2019	June 30, 2019
----- Number of Shares -----		Note	----- Rupees in thousands -----	

10.1 Authorized share capital

200,000,000	200,000,000	Ordinary shares of Rs. 10/- each	2,000,000	2,000,000
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10.2 Issued, subscribed and paid-up share capital

89,418,125	89,418,125	Ordinary shares of Rs. 10/- each - shares allotted for consideration fully paid in cash	894,181	894,181
10,300,000	10,300,000	Ordinary shares of Rs. 10/- each - shares allotted for consideration other than cash	103,000	103,000
<u>99,718,125</u>	<u>99,718,125</u>		<u>997,181</u>	<u>997,181</u>

11 TRADE AND OTHER PAYABLES

Accrued liabilities	11.1	149,345	145,596
Advances from customers		32,339	31,724
Excise duty and sales tax payable		30,822	29,452
Trade creditors		30,152	32,944
Payable to Gratuity Fund		29,190	21,224
Workers' Welfare Fund (WWF)		1,437	7,946
Other liabilities		429	575
Bills payable		12	6,728
Workers' Profit Participation Fund (WPPF)		-	15,898
		<u>273,726</u>	<u>292,087</u>

11.1 It includes Rs. 74.715 million (June 30, 2019: Rs. 79.43 million) payable to the subsidiary company, in respect of purchase of electric power.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

The status of contingencies is same as disclosed in the annual audited unconsolidated financial statements for the year ended June 30, 2019 except for the matters disclosed, which are mentioned below:

- 12.1.1** During the period, Order in Original (ONO) issued by Deputy Commissioner Inland Revenue (DCIR) in respect of Sales Tax Audit for the tax period from July 2017 to June 2018 raising a demand of Rs. 7.452 million (including default surcharge & penalty) by disallowing certain input tax claimed by the Company in its sales tax returns for the aforesaid tax period.

The Company has filed an appeal before Commissioner Inland Revenue – Appeals (CIR-A), who deleted the disallowance of input tax amounting to Rs. 7.086 million while confirmed the disallowance amounting to Rs. 0.011 million.

- 12.1.2** During the period amendment made under section 65B of the Income Tax Ordinance, 2001 through Finance Act 2019, whereby the percentage of tax credit on investment in plant and machinery has been reduced from 10% to 5% for the tax year 2019, which is subject to adjustment against refund or may required to be paid along with the return of income. Company filed petition in High Court against this amendment and obtained stay order as the likely impact of amendment made in 65B would be Rs. 10.398 million. The management is confident that the Company has an arguable case on merits. Hence no provision is required to be made in these condensed interim unconsolidated financial statements, since till the next date, no adverse action may be taken against the Company in respect of this case.

- 12.1.3** During the year 2019, show cause notice u/s 122(5A) of the ITO 2001, dated February 15, 2019 was received from Additional Commissioner Inland Revenue (ACIR) Zone II, LTU containing observations relating to self assessment order u/s 120 of ITO, 2001 for tax year 2017. The Company explained the observations and attended hearings from time to time. Learned ACIR passed order-in-original dated July 02, 2019. The impugned order is erroneous with respect to computation of liability. Fuel adjustment of Rs. 3.678 million is added to the income for the year, reduction of b/f tax credit u/s 65B of ITO 2001 relating to tax year 2016 and disallowance of WPPF contribution resulting in tax payable for the year amounting to Rs. 34.094 million.

However, the management of the Company has filed appeal against the impugned order before Commissioner Inland Revenue Appeals. The CIR Appeals annulled the assessment order vide its order no. 18 dated September 09, 2019. The ACIR issued notice dated November 21, 2019 to pass appeal effects order which was responded by the management. Appeal effect order is not passed till February 12, 2020.

- 12.1.4** Assistant Commissioner Inland Revenue (ACIR) had passed an order under section 122(1) of the Income tax Ordinance, 2001 (the Ordinance) in relation to tax audit conducted under section 177 of the Ordinance, in respect of tax year 2016. The Commissioner (Appeals-II) Karachi passed order-in-appeal no 35 dated October 16, 2018 where the Company was granted relief in respect of disallowance on account of leave encashment of Rs. 2.694 million, contribution to gratuity fund of Rs. 11.438 million, incentive and commission of Rs. 4.760 million, expenses paid in cash of Rs. 2.257 million and entertainment of Rs. 0.54 million. The CIR-A maintained the disallowance of tax credit under section 65B of the Ordinance and claim of contribution to WPPF on payment basis, against which the management of the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing.

Thatta Cement

Meanwhile the management of the Company applied for rectification of order-in-original u/s 221 of ITO, 2001, to have assessment giving effects of order-in-appeal, on November 14, 2018 then May 24, 2019 and on August 06, 2019. Orders giving appeal effects were passed on January 18, 2019 and June 30, 2019. However, the management again applied for rectification of order on July 26, 2019 in respect to consider SWWF, tax deducted under FTR and tax credit u/s 168 not considered to full extent.

12.1.5 The Company's legal advisor is confident that merits of these cases are in Company's favor and it is expected that the favorable outcome will follow:

(Un-audited)	(Audited)
December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

12.2 Commitments

Commitments in respect of revenue & capital expenditure	3,222	96,895
Guarantees given by banks on behalf of the Company	48,000	48,000

Half year ended		Quarter ended	
December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- (Un-audited) -----			
----- Rupees in thousands -----			

13 SALES - NET

Gross sales

- Local	1,450,033	2,161,581	833,967	1,139,953
- Export	220,822	506,701	220,822	506,701
	1,670,855	2,668,282	1,054,789	1,646,654
Less:				
- Federal Excise Duty	288,107	331,262	166,701	175,855
- Sales tax	227,425	344,243	131,220	180,763
	515,532	675,505	297,921	356,618
	1,155,323	1,992,777	756,868	1,290,036

Half year ended		Quarter ended	
December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- (Un-audited) -----			
----- Rupees in thousands -----			

13.1 Company's revenue disaggregated by primary geographical markets is as follows:

Sale of cement and clinker

Primary geographical markets

Within Pakistan	934,501	1,486,076	536,046	783,335
Outside Pakistan	220,822	506,701	220,822	506,701
	<u>1,155,323</u>	<u>1,992,777</u>	<u>756,868</u>	<u>1,290,036</u>

13.2 Company's revenue disaggregated by pattern / timing of revenue recognition is as follows.

Timing of revenue recognition

Goods transferred at a point in time	<u>1,155,323</u>	<u>1,992,777</u>	<u>756,868</u>	<u>1,290,036</u>
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14 COST OF SALES

Raw material consumed	69,913	95,222	42,052	61,313
Manufacturing expenses				
Fuel and power	797,437	795,674	471,745	573,219
Salaries, wages and other benefits	151,411	153,469	75,800	76,105
Depreciation	55,144	61,079	32,793	41,845
Packing material consumed	37,620	78,477	21,121	42,899
Stores, spare parts and loose tools consumed	32,012	26,346	20,820	12,836
Vehicle hire, running & maintenance	5,826	5,903	2,861	2,971
Repairs and maintenance	3,746	6,545	1,721	3,761
Insurance	2,586	7,297	1,293	3,641
Other production overheads	1,755	2,144	929	770
Communication	774	1,101	367	576
Entertainment	392	689	213	412
(Reversal) / provision for slow moving & obsolete stores and spares	(136)	1,953	(136)	1,953
	<u>1,088,567</u>	<u>1,140,677</u>	<u>629,527</u>	<u>760,988</u>
Cost of production	<u>1,158,480</u>	<u>1,235,899</u>	<u>671,579</u>	<u>822,301</u>

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- (Un-audited) -----				
----- Rupees in thousands -----				
Work-in-process				
Opening balance	286,583	408,198	286,583	241,777
Closing balance	(368,178)	(39,739)	(368,178)	(39,739)
	(81,595)	368,459	(81,595)	202,038
Cost of goods manufactured	1,076,885	1,604,358	589,984	1,024,339
Finished goods				
Opening balance	36,002	42,946	40,997	40,997
Closing balance	(48,471)	(42,501)	(48,471)	(42,501)
	(12,469)	445	(7,474)	(1,504)
	1,064,416	1,604,803	582,510	1,022,835

15 EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / profit for the period (Rupees in thousands)	(52,089)	119,016	(40,589)	69,241
Weighted average number of ordinary shares	99,718,125	99,718,125	99,718,125	99,718,125
(Loss) / earnings per share - basic and diluted (Rupees)	(0.52)	1.19	(0.41)	0.69

16 RELATED PARTY TRANSACTIONS & BALANCES

Related parties comprise of subsidiary company, associated undertakings, Directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions except for Service Level Agreement for Business Support Services with the Subsidiary Company for which the basis are approved by the Board of Directors. Further, contribution to the defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity fund) is in accordance with the actuarial advice. Details of transactions during the period ended/outstanding balances as at December 31, 2019 with related parties are as follows:

Half year ended	
December 31, 2019	December 31, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

16.1 Transactions with related parties

16.1.1 Subsidiary Company

Thatta Power (Private) Limited

- Common shared expenses	2,014	1,862
- Receipts on account of common shared expenses	1,991	1,946
- Sale of store items (inclusive of GST) - net	5	10,389
- Receipts on account of sale of store items - net	705	663
- Purchase of electricity (inclusive of GST)	414,731	395,182
- Payment on account of electric power (inclusive of GST)	419,537	381,636
- Management fee claimed (inclusive of SST)	12,011	10,919
- Management fee received (inclusive of SST)	11,829	10,754
- Sale of cement	-	8,179
- Receipt on account of sale of cement	380	7,093
- Loan/advance to the Subsidiary Company	53,000	-
- Receipt on account of loan/advance to the Subsidiary Company	53,000	-
- Interest accrued on loan/advance to the Subsidiary Company	886	-
- Sale of waste heat	7,508	-

16.1.2 During the period Company contracted with Thatta Power (Private) Limited (Subsidiary) for sale of Waste Heat. This recovery plant started its operation in October 2019 and the Company earned Rs. 7.5 million from this project.

Half year ended	
December 31, 2019	December 31, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

16.1.3 Key management personnel

- Salaries and benefits	16.3	35,156	40,034
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16.1.4 Other related parties

- Contribution to employees' Gratuity Fund	-	19,984
- Contribution to employees' Provident Fund	5,070	4,984
- Education expenses - Model Terbiat School	1,552	3,328

(Un-audited)	(Audited)
December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

16.2 Balances with related parties

16.2.1 Subsidiary Company

Thatta Power (Private) Limited

- Payable against purchase of electricity (inclusive of GST)	74,625	79,431
- Receivable against management fee (inclusive of SST)	2,002	1,820
- Receivable against common shared expenses	345	322
- (Payable) / receivable against sale of store items - net	(27)	673
- Receivable against sale of cement	-	380
- Accrued mark-up on loan / advance to the Subsidiary Company	886	-
- Receivable against sale of Waste Heat	7,508	-

16.2.2 Other related party

- Payable to Gratuity Fund	29,190	21,224
----------------------------	--------	--------

16.3 There are no transactions with key management personnel other than under their terms of employment.

17 FAIR VALUE MEASUREMENTS

All assets and liabilities for which fair value is measured or disclosed in the condensed interim unconsolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Fair value measurement using quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Fair value measurement using inputs other than quoted prices included with in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 - Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of all other assets and liabilities is estimated to approximate their carrying value.

18 OPERATING SEGMENTS

- 18.1 These condensed interim unconsolidated financial statements have been prepared on the basis of single reportable segment.
- 18.2 Revenue from cement segment represents 100% (December 31, 2018: 100%) of the total revenue of the Company.
- 18.3 80.89% (December 31, 2018: 74.57%) sales of the Company relates to customers in Pakistan.
- 18.4 All non-current assets of the Company as at December 31, 2019 are located in Pakistan.

19 CORRESPONDING FIGURES

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

20 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim unconsolidated financial statements have been authorized for issue on February 24, 2020 by the Board of Directors of the Company.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM
CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
	Note	----- Rupees in thousands -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	4,416,015	4,403,521
Long term deposits		1,096	1,096
Total non-current assets		4,417,111	4,404,617
CURRENT ASSETS			
Stores, spare parts and loose tools	7	233,496	350,758
Stock-in-trade	8	445,340	370,977
Trade debts	9	947,503	881,813
Short term investment - Held to maturity		306,000	306,000
Advances		37,088	47,465
Trade deposits and short term prepayments		10,867	7,677
Other receivables and accrued interest		38,923	72,246
Taxation - net		265,001	268,595
Cash and bank balances		65,486	119,234
Total current assets		2,349,704	2,424,765
Total assets		6,766,815	6,829,382
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10	997,181	997,181
Capital Reserve			
Share premium		99,718	99,718
Revenue Reserve			
Accumulated profit		2,595,970	2,543,016
Attributable to the owners of the Holding Company		3,692,869	3,639,915
Non-controlling interests		858,998	795,783
Total equity		4,551,867	4,435,698
NON-CURRENT LIABILITIES			
Long term financing		916,639	1,003,022
Long term deposits		2,897	4,297
Long term employee benefits		18,553	17,744
Deferred taxation		298,526	293,868
Total non-current liabilities		1,236,615	1,318,931
CURRENT LIABILITIES			
Trade and other payables	11	390,406	428,056
Unclaimed dividend		2,494	2,540
Accrued mark-up		52,130	44,513
Current maturity of long term financing		263,977	314,564
Short term borrowings		269,326	285,080
Total current liabilities		978,333	1,074,753
Total equity and liabilities		6,766,815	6,829,382
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the half year ended December 31, 2019

	Note	Half year ended December 31,		Quarter ended December 31,	
		2019	2018	2019	2018
----- Rupees in thousands -----					
Sales - net	13	1,505,828	2,333,383	1,001,792	1,362,035
Cost of sales	14	(1,206,989)	(1,744,306)	(794,600)	(1,008,107)
Gross profit		298,839	589,077	207,192	353,928
Selling and distribution cost		(72,383)	(137,572)	(62,351)	(120,792)
Administrative expenses		(50,600)	(56,573)	(24,497)	(28,075)
		(122,983)	(194,145)	(86,848)	(148,867)
Operating profit		175,856	394,932	120,344	205,061
Other operating expenses		(656)	(18,517)	(143)	(9,323)
Finance cost		(55,573)	(45,082)	(35,835)	(22,062)
		(56,229)	(63,599)	(35,978)	(31,385)
Other income		20,861	16,239	11,155	7,668
Profit before taxation		140,488	347,572	95,521	181,344
Taxation		(24,319)	(46,656)	(15,400)	(36,143)
Profit for the period		116,169	300,916	80,121	145,201
Profit for the period attributable to:					
- Equity holders of the Holding Company		52,954	232,576	34,770	116,663
- Non-controlling interests		63,215	68,340	45,351	28,538
		116,169	300,916	80,121	145,201
Earnings per share - basic and diluted (Rupees)	15	0.53	2.33	0.35	1.17

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the half year ended December 31, 2019

	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	----- Rupees in thousands -----			
Profit for the period	116,169	300,916	80,121	145,201
Other comprehensive income / (loss)				
<i>Items to be reclassified to consolidated statement of profit or loss account in subsequent periods</i>	-	-	-	-
<i>Items not to be reclassified to consolidated statement of profit or loss account in subsequent periods</i>	-	-	-	-
Total comprehensive income / (loss) for the period	116,169	300,916	80,121	145,201
Total comprehensive income for the period attributable to:				
- Equity holders of the Holding Company	52,954	232,576	34,770	116,663
- Non-controlling interests	63,215	68,340	45,351	28,538
	116,169	300,916	80,121	145,201

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the half year ended December 31, 2019

	Half year ended	
	December 31, 2019	December 31, 2018
	----- Rupees in thousands -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	140,488	347,572
Adjustment for:		
Depreciation	98,487	88,102
Amortization	-	1,400
(Reversal) / provision for slow moving & obsolete stores and spares	(136)	1,953
Finance cost	55,573	45,082
Provision for gratuity	7,966	6,838
Provision for leave encashment	1,261	1,565
Property, plant and equipment written off	3	248
Loss on disposal of property, plant and equipment	-	(7)
	163,154	145,181
Operating cash flows before working capital changes	303,642	492,753
Working capital changes		
Stores, spare parts and loose tools	117,262	330,494
Stock-in-trade	(74,363)	339,056
Trade debts	(65,690)	(348,663)
Advances	10,377	(19,951)
Trade deposits and short term prepayments	(3,190)	5,961
Other receivables and accrued interest	33,323	82,432
Trade and other payables excluding gratuity	(45,616)	(191,214)
	(27,897)	198,115
Cash generated from operations	275,745	690,868
Finance cost paid	(47,956)	(46,066)
Gratuity paid	-	(19,984)
Leave encashment paid	(452)	(395)
Income tax paid	(16,067)	(62,431)
Long term deposits	(1,400)	(480)
Net cash generated from operating activities	209,870	561,512

Note

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the half year ended December 31, 2019

	Note	Half year ended	
		December 31, 2019	December 31, 2018
----- Rupees in thousands -----			
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure	6	(110,848)	(923,983)
Proceeds from disposal of property, plant and equipment		-	9
Net cash used in investing activities		(110,848)	(923,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		-	859,888
Repayment of long term financing		(136,970)	(166,730)
Dividend paid		(46)	(140,946)
Net cash (used) / generated from financing activities		(137,016)	552,212
Net (decrease) / increase in cash and cash equivalents		(37,994)	189,750
Cash and cash equivalents at beginning of the period		(165,846)	(216,611)
Cash and cash equivalents at end of the period		(203,840)	(26,861)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		65,486	261,178
Short term borrowings		(269,326)	(288,039)
		(203,840)	(26,861)

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the half year ended December 31, 2019

	Equity attributable to owners of the Holding Company				Non-controlling interests	Total equity
	Share capital	Reserves		Total shareholders' equity		
		Capital	Revenue			
	Share premium	Accumulated profit				
----- Rupees in thousands -----						
Balance as at July 1, 2018 (audited)	997,181	99,718	2,264,837	3,361,736	665,758	4,027,494
<i>Transactions with owners recorded directly in equity</i>						
Final dividend @ Rs. 1.44 per share for the year ended June 30, 2018	-	-	(143,594)	(143,594)	-	(143,594)
Total comprehensive income for the period ended December 31, 2018	-	-	232,576	232,576	68,340	300,916
Balance as at December 31, 2018 (un-audited)	<u>997,181</u>	<u>99,718</u>	<u>2,353,819</u>	<u>3,450,718</u>	<u>734,098</u>	<u>4,184,816</u>
Balance as at July 1, 2019 (audited)	997,181	99,718	2,543,016	3,639,915	795,783	4,435,698
Total comprehensive income for the period ended December 31, 2019	-	-	52,954	52,954	63,215	116,169
Balance as at December 31, 2019 (un-audited)	<u>997,181</u>	<u>99,718</u>	<u>2,595,970</u>	<u>3,692,869</u>	<u>858,998</u>	<u>4,551,867</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

1 THE GROUP AND ITS OPERATIONS

- 1.1** The Group consists of Thatta Cement Company Limited (TCCL) and Thatta Power (Private) Limited (TPPL) (together referred as "the Group").
- 1.2** Thatta Cement Company Limited (the Holding Company) was incorporated in Pakistan in 1980 as a public limited company. The shares of the Holding Company are quoted at the Pakistan Stock Exchange. The Holding Company's main business activity is manufacturing and marketing of cement. The registered office of the Holding Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Holding Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.
- 1.3** Thatta Power (Private) Limited (the Subsidiary Company) is a 62.43% owned subsidiary of the Holding Company as at December 31, 2019 (June 30, 2019: 62.43%). The principal business activity of the Subsidiary Company is generation and sale of electric power. As at December 31, 2019 TPPL has authorized and issued capital of Rs. 500 million and Rs. 479.16 million divided into 50,000,000 (June 30, 2019: 50,000,000) ordinary shares and 47,915,830 (June 30, 2019: 47,915,830) ordinary shares respectively. The registered office and generation facility of the Subsidiary Company comprises of 3 acres and is situated at Ghulamullah Road, Makli, District Thatta, Sindh.

Half year ended	
December 31, 2019	December 31, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

2 SUMMARY OF SIGNIFICANT TRANSACTION

2.1 Sales - net	<u>1,155,323</u>	<u>1,992,777</u>
------------------------	------------------	------------------

During the period, the sales of the Holding Company has decreased by Rs. 837.454 million as a consequence of lower demand of cement in the south region, on account of slow construction related activities which is in turn is due to overall economic slow-down in the Country and budget cuts by the Government since the start of current financial period and unstable political conditions.

Management is hopeful that by the end of the next quarter i.e. March 31, 2020, economic slow-down in the Country would begin to improve. Also, the Government has begun to take measures to promote construction industry and look into the problems being faced by Steel and Cement sector currently.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These condensed interim consolidated financial statements for the half year ended December 31, 2019 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. The disclosures in these condensed interim consolidated financial statements do not include all of the information required in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group as at and for the year ended June 30, 2019.

These condensed interim consolidated financial statements are unaudited and are being submitted to the shareholders as required under section 228 and 237 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations.

These condensed interim consolidated financial statements comprises of the condensed interim consolidated statement of financial position as at December 31, 2019 and condensed interim consolidated statement of profit or loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity for the half year ended December 31, 2019.

3.2 Basis of consolidation

These condensed interim consolidated financial statements includes the condensed interim financial statements of the Holding Company and the Subsidiary Company.

The condensed interim financial statements of the Subsidiary Company are included in the condensed interim consolidated financial statements from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Upon loss of control, the Holding Company derecognises the assets and liabilities of the Subsidiary Company, any non-controlling interests and other components of equity related to the Subsidiary Company. Any surplus or deficit arising on the loss of control is recognised in profit and loss account.

The financial statements of the Subsidiary Company are prepared for the same reporting period as of the Holding Company, using accounting policies that are generally consistent with those of the Holding Company.

The assets and liabilities of the Subsidiary Company have been consolidated on a line-by-line basis. The carrying value of investment held by the Holding Company is eliminated against the Subsidiary Company's shareholders' equity in the condensed interim consolidated financial statements. Intra-group balances and transactions are eliminated.

3.3 Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these condensed interim consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended June 30, 2019.

3.4 Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policy notes.

These condensed interim consolidated financial statements have been prepared following accrual basis of accounting except for condensed interim consolidated statement of cash flows.

3.5 Functional and presentation currency

These condensed interim consolidated financial statements have been prepared and presented in Pakistani Rupee which is the Groups' functional and presentation currency.

3.6 General

The figures have been rounded off to the nearest thousand of Rupees.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in preparation of the annual audited consolidated financial statements as at and for the year ended June 30, 2019 , except for the adoption of new and amended standards as set out below:

4.1 Standards and amendments to published approved accounting standards which are effective during the half year ended December 31, 2019.

IFRS 9 "Financial Instruments"

SECP through S.R.O 985(I)/2019 dated September 2, 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of Expected Credit Loss (ECL) model shall not be applicable till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

Following are certain new standards and amendments to approved accounting standards which are mandatory for the Group's annual accounting period which began on July 1, 2019.

Standard or Interpretation

IASB effective date
(Annual periods beginning
on or after)

IFRS 16 'Leases'

July 1, 2019

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance lease is removed.

Management has assessed the impact of IFRS 16 and concluded that there is no significant impact on these consolidated condensed interim financial statements.

4.2 Standards and amendments to published approved accounting standards that are not yet effective during the half year ended December 31, 2019.

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these amendments will not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

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

The following 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 financial statements and hence not been detailed here.

IFRIC 23 - 'Uncertainty over income tax treatment' clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" are applied when there is uncertainty over tax treatment. The IFRIC applies to all aspects of Income Tax accounting, when there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax base of assets or liabilities, tax losses, credits and tax rate.

5 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to variety of financial risks: market risk (including currency risk, fair value of interest rate risk, cash flow risk, interest rate risks and price risks), credit risks and liquidity risks. These condensed interim financial statements include all financial risks, management information and disclosures required in the current financial statements and should read in conjunction with the Company's annual financial statements for the year ended June 30, 2019.

6 PROPERTY, PLANT AND EQUIPMENT

		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
	Note	----- Rupees in thousands -----	
Operating fixed assets	6.1	4,349,267	3,265,338
Capital work-in-progress		-	1,088,369
Major stores and spares		66,748	49,814
		4,416,015	4,403,521

6.1 Operating fixed assets

Written Down Value (WDV) - opening		3,265,338	3,123,053
Additions during the period / year - at cost			
- Plant and machinery		1,057,382	347,184
- Building on freehold land		122,594	-
- Electrical installations		-	417
- Quarry equipment		-	439
- Office & other equipment		-	207
- Laboratory equipment		1,299	-
- Computer equipment		1,144	836
		1,182,419	349,083
WDV of disposals during the period / year		-	(142)
Fixed assets written off during the period / year		(3)	(11,519)
Depreciation charge for the period / year		(98,487)	(195,136)
		(98,490)	(206,797)
WDV - closing		4,349,267	3,265,338

		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
Note		----- Rupees in thousands -----	
7	STORES, SPARE PARTS AND LOOSE TOOLS		
	Coal and other fuels	-	128,020
	Stores & spare parts	260,395	249,471
	Loose tools	146	110
		<u>260,541</u>	<u>377,601</u>
	Provision for obsolete stores	(4,965)	(5,231)
	Provision for slow moving stores and spares	(22,080)	(21,612)
		<u>(27,045)</u>	<u>(26,843)</u>
		<u>233,496</u>	<u>350,758</u>
7.1	It includes reversal of obsolete stores of Rs. 0.2663 million (June 30, 2019: Nil) as at the date of condensed interim consolidated statement of financial position.		
8	STOCK-IN-TRADE		
	Raw material	21,785	20,399
	Packing material	36,200	46,208
	Work-in-process	340,724	269,597
	Finished goods	46,631	34,773
		<u>445,340</u>	<u>370,977</u>
9	TRADE DEBTS		
	Considered good		
	Local - unsecured	947,503	881,813
	Considered doubtful		
	Cement stockiest	60,801	60,801
	Excessive rebate allowed	6,101	6,101
	Controller Military Accounts	5,126	5,126
	Other customers	2,183	2,182
	Provision as per IFRS 9	540	-
		<u>74,751</u>	<u>74,210</u>
	Provision for doubtful debts	(74,751)	(74,210)
		<u>947,503</u>	<u>881,813</u>

10 SHARE CAPITAL

(Un-audited)	(Audited)
December 31, 2019	June 30, 2019
----- Number of Shares -----	

(Un-audited)	(Audited)
December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

10.1 Authorized share capital

<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>2,000,000</u>	<u>2,000,000</u>
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10.2 Issued, subscribed and paid-up share capital

89,418,125	89,418,125	Ordinary shares of Rs. 10/- each - shares allotted for consideration fully paid in cash	894,181	894,181
10,300,000	10,300,000	Ordinary shares of Rs. 10/- each - shares allotted for consideration other than cash	103,000	103,000
<u>99,718,125</u>	<u>99,718,125</u>		<u>997,181</u>	<u>997,181</u>

(Un-audited)	(Audited)
December 31, 2019	June 30, 2019
----- Rupees in thousands -----	

11 TRADE AND OTHER PAYABLES

Trade creditors	44,530	87,811
Accrued liabilities	196,914	165,516
Bills payable	12	6,728
Advances from customers	32,339	31,724
Contractors retention money	-	6,068
Excise duty and sales tax payable	30,822	29,452
Payable to Gratuity Fund	29,190	21,224
Workers' Profit Participation Fund (WPPF)	39,656	55,554
Workers' Welfare Fund (WWF)	16,506	23,015
Other liabilities	437	964
	<u>390,406</u>	<u>428,056</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

The status of contingencies is same as disclosed in the annual audited consolidated financial statements for the year ended June 30, 2019 except for the matters disclosed, which are mentioned below.

- 12.1.1** During the period, Order in Original (ONO) issued by Deputy Commissioner Inland Revenue (DCIR) in respect of Sales Tax Audit for the tax period from July 2017 to June 2018 raising a demand of Rs. 7.452 million (including default surcharge & penalty) by disallowing certain input tax claimed by the Holding Company in its sales tax returns for the aforesaid tax period.

The Holding Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A), who deleted the disallowance of input tax amounting to Rs. 7.086 million while confirmed the disallowance amounting to Rs. 0.011 million.

- 12.1.2** During the period amendment made under section 65B of the Income Tax Ordinance, 2001 through Finance Act 2019, whereby the percentage of tax credit on investment in plant and machinery has been reduced from 10% to 5% for the tax year 2019, which is subject to adjustment against refund or may required to be paid along with the return of income. Holding Company filed petition in High Court against this amendment and obtained stay order as the likely impact of amendment made in 65B would be Rs. 10.398 million. The management is confident that the Holding Company has an arguable case on merits. Hence no provision is required to be made in these condensed interim consolidated financial statements, since till the next date, no adverse action may be taken against the Holding Company in respect of this case.

- 12.1.3** During the year 2019, show cause notice u/s 122(5A) of the ITO 2001, dated February 15, 2019 was received from Additional Commissioner Inland Revenue (ACIR) Zone II, LTU containing observations relating to self assessment order u/s 120 of ITO, 2001 for tax year 2017. The Holding Company explained the observations and attended hearings from time to time. Learned ACIR passed order-in-original dated July 02, 2019. The impugned order is erroneous with respect to computation of liability. Fuel adjustment of Rs. 3.678 million is added to the income for the year, reduction of b/f tax credit u/s 65B of ITO 2001 relating to tax year 2016 and disallowance of WPPF contribution resulting in tax payable for the year amounting to Rs. 34.094 million.

However, the management of the Holding Company has filed appeal against the impugned order before Commissioner Inland Revenue Appeals. The CIR Appeals annulled the assessment order vide its order no. 18 dated September 09, 2019. The ACIR issued notice dated November 21, 2019 to pass appeal effects order which was responded by the management. Appeal effect order is not passed till February 12, 2020.

- 12.1.4** Assistant Commissioner Inland Revenue (ACIR) had passed an order under section 122(1) of the Income tax Ordinance, 2001 (the Ordinance) in relation to tax audit conducted under section 177 of the Ordinance, in respect of tax year 2016. The Commissioner (Appeals-II) Karachi passed order-in-appeal no. 35 dated October 16, 2018 where the Holding Company was granted relief in respect of disallowance on account of leave encashment of Rs. 2.694 million, contribution to gratuity fund of Rs. 11.438 million, incentive and commission of Rs. 4.760 million, expenses paid in cash of Rs. 2.257 million and entertainment of Rs. 0.54 million. The CIR-A maintained the disallowance of tax credit under section 65B of the Ordinance and claim of contribution to WPPF on payment basis, against which the management of the Holding Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing.

Meanwhile the management of the Holding Company applied for rectification of order-in-original u/s 221 of ITO, 2001, to have assessment giving effects of order-in-appeal, on November 14, 2018 then May 24, 2019 and on August 06, 2019. Orders giving appeal effects were passed on January 18, 2019 and June 30, 2019. However, the management again applied for rectification of order on July

26, 2019 in respect to consider SWWF, tax deducted under FTR and tax credit u/s 168 not considered to full extent.

- 12.1.5** During the period the Deputy Commissioner Inland Revenue (DCIR) has disallowed the input sales tax claimed by the Subsidiary Company during the period from July 2018 to February 2019 and raised a demand of Rs. 23.6 million. The Subsidiary Company has filed an appeal against the order passed by DCIR before CIR-Appeals through its consultant, the hearing of the case was held on December 2, 2019. The CIR-Appeal has passed an order on January 01, 2020 and set-aside the order passed by DCIR for fresh adjudication.
- 12.1.6** During the period Assistant Commissioner Sindh Revenue Board, has passed an order against the Subsidiary Company and raised demand amounting to Rs.11.15 million against Sindh Workers Participation Fund (SWPF) for the Accounting year ended 30th June, 2013. The Subsidiary Company has filed an appeal against the order passed by Assistant Commissioner before Commissioner Appeals through its consultant. The hearing of the case will be held on April 9, 2020.
- 12.1.7** The Companies' legal advisors are confident that merits of these cases are in our favor and it is expected that the favorable outcome will follow.

12.2 Commitments

Commitments in respect of revenue & capital expenditure
 Guarantees given by banks on behalf of the Group
 Commitment under deferred payment letter of credit

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	----- Rupees in thousands -----	
	5,492	111,204
	354,000	354,000
	-	50,466

13 SALES - NET

Gross sales

- Local
- Export

Half year ended December 31,		Quarter ended December 31,	
2019	2018	2019	2018
----- (Un-audited) -----			
----- Rupees in thousands -----			

1,860,124	2,560,090	1,120,528	1,224,191
220,822	506,701	220,822	506,701
<u>2,080,946</u>	<u>3,066,791</u>	<u>1,341,350</u>	<u>1,730,892</u>
Less:			
- Federal Excise Duty			
288,107	331,262	166,701	175,855
287,011	402,146	172,857	193,002
575,118	733,408	339,558	368,857
<u>1,505,828</u>	<u>2,333,383</u>	<u>1,001,792</u>	<u>1,362,035</u>

13.1 Group's revenue disaggregated by primary geographical markets is as follows.

	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
----- Rupees in thousands -----				
Sale of cement and clinker				
Primary geographical markets				
Within Pakistan	934,501	1,486,076	536,046	783,335
Outside Pakistan	220,822	506,701	220,822	506,701
	<u>1,155,323</u>	<u>1,992,777</u>	<u>756,868</u>	<u>1,290,036</u>
Sale of electric power				
Pakistan	350,505	340,606	244,924	71,999

13.2 The Group's revenue disaggregated by pattern / timing of revenue recognition is as follows.

Timing of revenue recognition

Goods / electric power transferred at a point in time	<u>1,505,828</u>	<u>2,333,383</u>	<u>1,001,792</u>	<u>1,362,035</u>
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14 COST OF SALES

Raw material consumed	69,913	95,222	42,052	61,313
Manufacturing expenses				
Packing material consumed	37,620	78,477	21,121	42,899
Stores, spare parts and loose tools consumed	53,886	56,849	36,459	26,376
Fuel and power	855,221	884,761	520,825	539,072
Salaries, wages and other benefits	151,411	153,469	75,800	76,105
Insurance	6,343	10,439	3,608	5,240
Repairs, operations and maintenance	10,098	19,569	2,157	10,346
Depreciation	96,301	85,984	60,558	54,478
Vehicle hire, running & maintenance	5,826	5,903	2,861	2,971
Communication	774	1,101	367	576
Entertainment	392	689	213	412
(Reversal) / provision for slow moving & obsolete stores and spares	(136)	1,953	(136)	1,953
Other production overheads	2,325	2,224	1,217	772
	<u>1,220,061</u>	<u>1,301,418</u>	<u>725,050</u>	<u>761,200</u>
Cost of production	<u>1,289,974</u>	<u>1,396,640</u>	<u>767,102</u>	<u>822,513</u>
Work-in-process				
Opening balance	269,597	384,911	374,085	224,752
Closing balance	(340,724)	(37,605)	(340,724)	(37,605)
	<u>(71,127)</u>	<u>347,306</u>	<u>33,361</u>	<u>187,147</u>
Cost of goods manufactured	<u>1,218,847</u>	<u>1,743,946</u>	<u>800,463</u>	<u>1,009,660</u>
Finished goods				
Opening balance	34,773	41,545	40,768	39,632
Closing balance	(46,631)	(41,185)	(46,631)	(41,185)
	<u>(11,858)</u>	<u>360</u>	<u>(5,863)</u>	<u>(1,553)</u>
	<u>1,206,989</u>	<u>1,744,306</u>	<u>794,600</u>	<u>1,008,107</u>

	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
15 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit for the period attributable to the owners of the Holding Company (Rupees in thousands)	52,954	232,576	34,770	116,663
Weighted average number of ordinary shares	99,718,125	99,718,125	99,718,125	99,718,125
Earnings per share - basic and diluted (Rupees)	0.53	2.33	0.35	1.17

16 RELATED PARTY TRANSACTIONS & BALANCES

Related parties comprises of associated undertakings, directors of the Group, key management personnel and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contribution to the defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity fund) is in accordance with the actuarial advice. Details of transactions during the period ended / outstanding balances as at December 31, 2019 with related parties are as follows:

		Half year ended	
		December 31, 2019	December 31, 2018
		(Un-audited)	
		----- Rupees in thousands -----	
16.1 Transactions with related parties	Note		
16.1.1 Key management personnel			
- Salaries and benefits	16.3	35,156	40,034
16.1.2 Other related parties			
- Contribution to employees' Gratuity Fund		-	19,984
- Contribution to employees' Provident Fund		5,070	4,984
- Education expenses - Model Terbiat School		1,552	3,328
		(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
		----- Rupees in thousands -----	
16.2.1 Other related parties			
Payable to Gratuity Fund		29,190	21,224
16.3			
There are no transactions with key management personnel other than under their terms of employment.			

17 FAIR VALUE MEASUREMENTS

All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Fair value measurement using quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Fair value measurement using inputs other than quoted prices included with in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 - Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of all other assets and liabilities is estimated to approximate their carrying value.

18 OPERATING SEGMENTS

For management purposes the Group is organized into following major business segments.

- | | |
|---------------|---|
| Cement | Engaged in manufacturing and marketing of cement. |
| Power | Engaged in generation and sale of electric power. |

18.1 Revenues

	Cement		Power		Intra group adjustment		Consolidated	
	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018
	Un-audited		Un-audited		Un-audited		Un-audited	
----- Rupees in thousands -----								
Sales - net	1,155,323	1,992,777	704,976	678,368	(354,471)	(337,762)	1,505,828	2,333,383
Cost of sales	(1,064,416)	(1,604,803)	(494,073)	(498,996)	351,500	359,493	(1,206,989)	(1,744,306)
Gross profit	90,907	387,974	210,903	179,372	(2,971)	21,731	298,839	589,077
Selling and distribution cost	(72,383)	(137,572)	-	-	-	-	(72,383)	(137,572)
Administrative expenses	(47,274)	(53,806)	(13,955)	(12,430)	10,629	9,663	(50,600)	(56,573)
	(119,657)	(191,378)	(13,955)	(12,430)	10,629	9,663	(122,983)	(194,145)
Operating profit	(28,750)	196,596	196,948	166,942	7,658	31,394	175,856	394,932
Other operating expenses	(630)	(18,517)	(26)	-	-	-	(656)	(18,517)
Finance cost	(25,684)	(29,001)	(30,775)	(16,081)	886	-	(55,573)	(45,082)
	(26,314)	(47,518)	(30,801)	(16,081)	886	-	(56,229)	(63,599)
Other income	24,023	14,865	16,461	11,530	(19,623)	(10,156)	20,861	16,239
Segment results	(31,041)	163,943	182,608	162,391	(11,079)	21,238	140,488	347,572
Unallocated expenditures	-	-	-	-	-	-	-	-
Profit before tax	(31,041)	163,943	182,608	162,391	(11,079)	21,238	140,488	347,572
Taxation	(21,048)	(44,927)	(3,271)	(1,729)	-	-	(24,319)	(46,656)
Profit for the period	(52,089)	119,016	179,337	160,662	(11,079)	21,238	116,169	300,916

18.2 Other information

	Cement		Power		Intra group adjustment		Consolidated	
	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
----- Rupees in thousands -----								
Segment assets	3,442,428	3,610,100	3,729,953	3,618,069	(405,566)	(398,787)	6,766,815	6,829,382
Unallocated corporate assets	-	-	-	-	-	-	-	-
Total assets	3,442,428	3,610,100	3,729,953	3,618,069	(405,566)	(398,787)	6,766,815	6,829,382
Segment liabilities	875,611	991,194	1,414,848	1,482,301	(75,511)	(79,811)	2,214,948	2,393,684
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
Total liabilities	875,611	991,194	1,414,848	1,482,301	(75,511)	(79,811)	2,214,948	2,393,684
Capital expenditure	23,807	33,154	87,041	1,153,108	-	-	110,848	1,186,262
Depreciation	57,330	139,853	41,157	55,283	-	-	98,487	195,136

18.3 Reconciliation of reportable segment revenues, profit and loss, assets and liabilities:

	Consolidated	
	December 31, 2019	December 31, 2018
	----- (Un-audited) -----	
	----- Rupees in thousands -----	
18.3.1 Operating revenues		
Total revenue of reportable segments	1,860,299	2,671,145
Elimination of intra group revenue	(354,471)	(337,762)
Consolidated revenue	<u>1,505,828</u>	<u>2,333,383</u>
18.3.2 Profit and loss		
Total profit before tax of reportable segments	151,567	326,334
Adjustment of unrealized profit and intra group transactions	(11,079)	21,238
Consolidated profit before taxation	<u>140,488</u>	<u>347,572</u>

	Consolidated	
	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	----- Rupees in thousands -----	
18.3.3 Assets		
Total assets of reportable segments	7,172,381	7,228,170
Elimination of intra group balances and unrealised profit	(403,963)	(397,184)
Reclassification for consolidation purposes	(1,603)	(1,603)
Consolidated assets	<u>6,766,815</u>	<u>6,829,382</u>
18.3.4 Liabilities		
Total liabilities of reportable segments	2,290,459	2,473,495
Elimination of intra group balances	(75,511)	(79,811)
Consolidated liabilities	<u>2,214,948</u>	<u>2,393,684</u>

18.4 Geographical segment analysis

	Revenue		Total Assets		Net Assets	
	December 2019	December 2018	December 2019	June 2019	December 2019	June 2019
	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	----- Rupees in thousands -----					
Pakistan	1,285,006	1,826,682	6,766,815	6,829,382	4,551,867	4,435,698
Export	220,822	506,701	-	-	-	-
	<u>1,505,828</u>	<u>2,333,383</u>	<u>6,766,815</u>	<u>6,829,382</u>	<u>4,551,867</u>	<u>4,435,698</u>

18.5 Information about major customers

Major customers for cement segment are various individual dealers, builders, developers & manufacturers of building material whereas major customer for power segment is Hyderabad Electric Supply Company Limited (HESCO).

19 CORRESPONDING FIGURES

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

20 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim consolidated financial statements have been authorized for issue on February 24, 2020 by the Board of Directors of the Company.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR



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