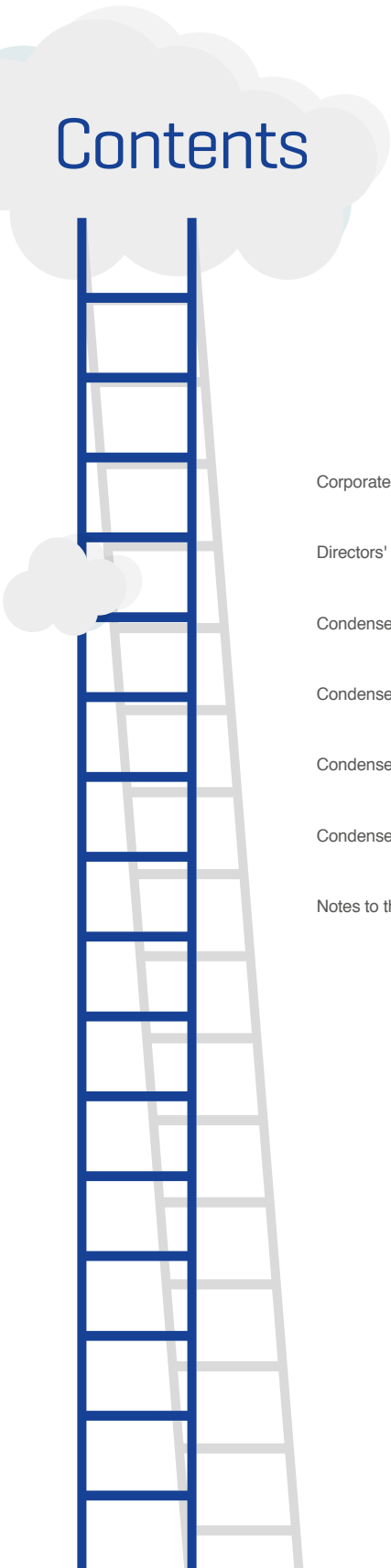




Scaling the peaks of growth



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Corporate Information



Board of Directors

Mr. Nasim Beg	Chairman
Mr. Muhammad Kashif Habib	Chief Executive
Mr. Samad A. Habib	
Mr. Syed Salman Rashid	
Mr. Anders Paludan-Müller	
Mr. Javed Kureishi	
Ms. Saira Nasir	

Audit Committee

Ms. Saira Nasir	Chairperson
Mr. Nasim Beg	Member
Mr. Syed Salman Rashid	Member

HR & Remuneration Committee

Mr. Javed Kureishi	Chairman
Mr. Muhammad Kashif Habib	Member
Mr. Syed Salman Rashid	Member

Chief Financial Officer & Company Secretary

Mr. Tahir Iqbal

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Awais Aziz Advocate

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi – 74400.

Principal Bankers / Lenders

Allied Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank (Pakistan) Limited
Faysal Bank Limited
First Credit & Investment Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
National Bank of Pakistan
Pak Oman Investment Company Limited
The Bank of Punjab
Summit Bank Limited
The Bank of Khyber
Bank Al Habib Limited
Samba Bank Limited
DEG - Deutsche Investitions-
und Entwicklungsgesellschaft mbH
The OPEC Fund for International Development (“OFID”)
Islamic Corporation for the Development
of the Private Sector (“ICD”)

Registered Office

Arif Habib Centre, 23 M.T Khan Road, Karachi

Website

www.powercement.com.pk

Contact Number

021-32468231-32
021-32468350-51

Fax Number:

021-32463209

Factory

Nooriabad Industrial Area, Deh Kalo Kohar,
District Jamshoro, Sindh.

Directors' Review

The Directors of your Company present herewith their review along with the un-audited condensed interim financial information for the nine months period ended March 31, 2020.

INDUSTRY OVERVIEW

During the period under review, the Cement industry posted a growth of 7.06% amounting to 37.04 million tons compared with 34.59 million tons last year. Local dispatches increased to 30.59 million tons from 29.46 million tons in the same period last year. Exports however registered a healthy increase of 25.63 percent, increasing to 6.45 million tons from 5.13 million tons in the same period last year.

The plants located in the South Zone, where your Company is situated, registered a decline of 27% in domestic sales, whereas exports increased by 44%. Domestic dispatches were 4.58 million tons and exports were 4.51 million tons. As a result, the South Zone closed at total dispatches of 9.11 million tons recording a net decline of 3%. In the Northern Zone, local dispatches increased by 12% and export demand for the same period declined by 3.7% recording a net growth of 10.84% as compared to the corresponding period.

BUSINESS PERFORMANCE

Production & sales volume performance

The production and sales volume statistics (including trial run production from Line III) of your Company for the nine months ended March 31, 2020 together with the corresponding period is as under:

Particulars	Nine Months Period Ended		Variance %
	31 March 2020	31 March 2019	
	In Tons		
Cement production	450,096	463,347	(3)%
Clinker production	502,541	495,866	1 %
Clinker purchase	59,441	-	100%

Capacity utilization remained on the lower side at 44% as compared to 73% of the corresponding period.

Particulars	Nine Months Period Ended		Variance %
	31 March 2020	31 March 2019	
	In Tons		
Domestic Sales	418,757	459,141	(9)%
Export Sales – Cement	4,372	4,785	(9)%
Export Sales – Clinker	111,800	-	100%
Total	534,929	463,926	15%

FINANCIAL PERFORMANCE

An analysis of the key financial results (excluding trial run results of Line III, which is directly capitalized) of your Company for the Nine Months ended 31 March 2020 is as under:

Particulars	Nine Months Period Ended	
	31 March 2020	31 March 2019
	Rs. ' 000	
Sales revenue	2,647,281	3,051,100
Gross (Loss) / profit	(143,030)	311,969
(Loss) / profit after tax	(1,750,493)	40,775
(Loss) / Earnings per share (Rupee)	(1.65)	0.04

Sales volumes improved significantly during the period primarily due to surge in exports. The cut-throat competition in the region due to surplus capacities has put adverse pressure on selling prices. The axle load regime has been a major concern for the industry and the reason for significantly higher transportation costs on input materials as well as lower retentions. The steep rise in fuel, power and packing material costs further lead to gross losses for the period.

FUTURE OUTLOOK

Latley, the Government has incentivized the construction sector by legislating a package announced by the Prime Minister to increase the cement consumption in the country in the wake of the coronavirus pandemic. The government has approved an industry status for the construction sector after announcing establishment of a Construction Industry Development Board. If effectively implemented, this construction policy would play a significant role in paving the way for the government's promise of providing 10 million employment opportunities and 5 million houses to the nation.

Coal and oil prices are expected to remain low in the near term during the time of the pandemic. This fact along with the lowered benchmark interest rate to the tune of 8% and availability of export refinance at the rate 3% are likely to allow considerable relief in financial cost.

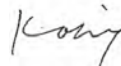
In the medium to long term, groundbreaking of the special economic zones and the flagship projects like Diامر-Bhasha Dam and Mohmand Dam are also expected to be great drivers of the cement demand.

ACKNOWLEDGEMENT

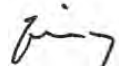
The Directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We wish to place on record our appreciation and thanks for the faith and trust reposed by our Business Partners, Bankers and Financial Institutions. We thank the Ministry of Finance, Ministry of Industries & Production, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Management of Pakistan Stock Exchange for their continued support and guidance which has gone a long way in giving present shape to the Company.

The results of an organization are greatly reflective of the efforts put in by the people who work for and with the Company. The Directors fully recognize the collective contribution made by the employees of the Company and look forward to successful completion of expansion project in the stipulated period. We also appreciate the valuable contribution and active role of the members of the audit and other committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board



Muhammad Kashif Habib
Chief Executive Officer



Nasim Beg
Chairman

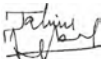
Karachi: 20 May 2020

Condensed Statement of Financial Position

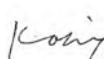
As at 31 March 2020

	Note	(Un-audited) 31 March 2020	(Audited) 30 June 2019
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	35,858,489	32,942,295
Right-to-use assets		48,771	-
Long-term investments		14,833	14,100
Deferred tax assets		1,132,695	413,291
Long-term deposits		19,635	19,635
		37,074,423	33,389,321
CURRENT ASSETS			
Stores, spares and loose tools	7	1,311,039	931,858
Stock-in-trade		768,428	603,185
Trade debts - considered good		414,646	386,499
Advances and other receivables - unsecured, considered good		2,726,350	3,397,779
Trade deposits and short-term prepayments		75,157	9,757
Tax refunds due from government		1,575,596	637,464
Short-term investments		27,899	27,899
Cash and bank balances		115,917	624,641
		7,015,032	6,619,082
TOTAL ASSETS		44,089,455	40,008,403
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 1,310,000,000 (30 Jun 2019: 1,200,000,000) Ordinary shares of Rs.10/- each		13,100,000	12,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
1,063,414,434 (30 Jun 2019: 1,063,414,434) Ordinary shares of Rs. 10/- each		10,634,144	10,634,144
Capital Reserve			
Share premium		750,714	750,714
Revenue Reserves			
Hedging reserve		465,112	351,081
Accumulated profit		(1,264,892)	485,601
		10,585,078	12,221,540
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing		17,827,098	17,959,094
Loan / advance from related party	8	2,428,000	-
Lease liabilities		47,084	-
Staff retirement benefits		75,915	57,923
		20,378,097	18,017,017
CURRENT LIABILITIES			
Loan from previous sponsors		735	735
Trade and other payables	9	4,071,797	3,534,574
Unclaimed dividend		126	126
Accrued mark-up		1,013,692	1,153,972
Short-term financing		7,862,882	4,904,444
Current portion of lease liabilities		1,053	-
Current portion of long term financing		175,995	175,995
		13,126,280	9,769,846
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		44,089,455	40,008,403

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive



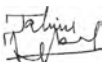
Director

Condensed Statement of Profit or Loss and Other Comprehensive Income (Un-audited)

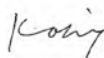
For the nine months and quarter ended 31 March 2020

	Note	Nine months period ended 31 March		Quarter ended 31 March	
		2020	2019	2020	2019
(Rupees in '000)					
Sales - net	11	2,647,281	3,051,100	1,394,339	1,032,963
Cost of sales		(2,790,311)	(2,739,131)	(1,202,210)	(918,806)
Gross (loss) / profit		(143,030)	311,969	192,129	114,157
Selling and distribution expenses	12	(136,870)	(94,295)	(68,490)	(36,903)
Administrative expenses		(137,368)	(109,322)	(40,599)	(30,948)
Other income		77,046	524	40,116	204
Other operating expenses		(242,753)	(70,870)	(385,891)	(9,602)
		(439,945)	(273,963)	(454,864)	(77,249)
Operating (loss) / profit		(582,975)	38,006	(262,735)	36,908
Finance income		10,941	17,158	2,329	6,317
Finance cost		(1,915,244)	(107,687)	(1,708,088)	(29,699)
Finance cost - net		(1,904,303)	(90,529)	(1,705,759)	(23,382)
(Loss) / profit before taxation		(2,487,278)	(52,523)	(1,968,494)	13,526
Taxation	13	736,785	93,298	583,817	(1,894)
(Loss) / profit after taxation		(1,750,493)	40,775	(1,384,677)	11,632
Other comprehensive income :					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge - effective portion of changes in fair value Net of deferred tax		114,031	-	398,992	-
Total comprehensive (loss) / income for the period		(1,636,462)	40,775	(985,685)	11,632
(Rupees)					
(Loss) / Earnings per share - basic and diluted		(1.65)	0.04	(1.30)	0.01

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive



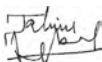
Director

Condensed Statement of Cash Flows (Un-audited)

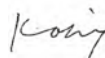
For the nine months ended 31 March 2020

		Nine months period ended 31 March	
		2020	2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Cash generated from / (used in) operations	14	255,044	(187,073)
Gratuity paid		(50,473)	(8,910)
Income tax paid		73,411	(73,053)
Finance cost paid		(426,547)	(63,118)
		(403,609)	(145,081)
Net Cash used in operating activities		(148,565)	(332,154)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure - operations		(145,003)	(448,346)
Capital expenditure - Line III		(5,022,523)	(9,448,664)
Capital expenditure - others		(534,175)	-
Investments released during the period		-	56,101
Proceeds from sale of property, plant and equipment		76,892	475
Finance income received		10,208	16,426
Net cash used in investing activities		(5,614,601)	(9,824,009)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / (repayments) from long-term financing		(131,996)	6,359,728
Loan / advance from related party		2,428,000	-
Net cash generated from financing activities		2,296,004	6,359,728
Net decrease in cash and cash equivalents		(3,467,162)	(3,796,435)
Cash and cash equivalents at beginning of the period		(4,279,803)	88,701
Cash and cash equivalents at end of the period	15	(7,746,965)	(3,707,734)

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive



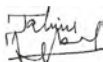
Director

Condensed Statement of Changes in Equity (Un-audited)

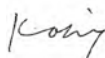
For the nine months and quarter ended 31 March 2020

	Capital Reserve		Revenue Reserves			
	(Rupees in '000)					
	Issued, subscribed and paid up capital	Advance against right shares	Share premium	Accumulated (loss)/profit	Hedging Reserve	Total Equity
Balance as at 1 July 2018, as previously reported	10,634,144	-	750,714	(85,796)	-	11,299,062
Adjustment on initial application of IFRS 9 - net of tax	-	-	-	(8,790)	-	(8,790)
Balance as at 1 July 2018 - restated	10,634,144	-	750,714	(94,586)	-	11,290,272
Total comprehensive income for the period						
Profit for the period	-	-	-	40,775	-	40,775
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	40,775	-	40,775
Balance as at 31 March 2019	10,634,144	-	750,714	(53,811)	-	11,331,047
Balance as at 1 July 2019	10,634,144	-	750,714	485,601	351,081	12,221,540
Total comprehensive income for the period						
Loss for the period	-	-	-	(1,750,493)	-	(1,750,493)
Other comprehensive income for the period	-	-	-	-	114,031	114,031
Total comprehensive income for the period	-	-	-	(1,750,493)	114,031	(1,636,462)
Balance as at 31 March 2020	10,634,144	-	750,714	(1,264,892)	465,112	10,585,078

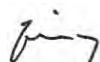
The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

1. STATUS AND NATURE OF BUSINESS

Power Cement Limited (the Company) was established as a Private Limited Company on 1 December 1981 and was converted into a Public Limited Company on 9 July 1987. The Company is also listed on Pakistan Stock Exchange. The Company's principal activity is manufacturing, selling and marketing of cement. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Jamshoro (Sindh).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

2.1.1 "This condensed interim financial statements has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

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

2.1.2 This condensed interim financial statements does not include all the statements required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 30 June 2019.

2.1.3 The comparative condensed interim statement of financial position presented in these condensed interim financial statements have been extracted from the audited annual financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended 31 March 2019.

2.1.4 This condensed interim financial statements is un-audited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Limited. This condensed interim financial statements comprise of the statement of financial position as at 31 March 2020 and statement of profit or loss account and other comprehensive income, statement of cash flows and statement of changes in equity for the nine months period ended 31 March 2020.

2.2 Basis of Measurement

This condensed interim financial statements has been prepared under the historical cost convention except for the Company's liability under its defined benefit plan (gratuity) which is determined on the present value of defined benefit obligation as determined by an independent actuary.

2.3 Functional and presentation currency

This condensed interim financial statements is presented in Pakistani Rupees which is also the Company's functional currency and all financial statements presented has been rounded-off to the nearest thousand Rupees except where stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements for the year ended 30 June 2019 except for the adoption of new standards effective as of 01 July 2019 as referred to in note 4.1 to these condensed interim financial statements.

3.1 New standards, interpretations and amendments adopted by the Company

The Company has initially adopted IFRS 16 'Leases', from 1st July 2019. The impact of adoption of this standard and the new accounting policy is disclosed in note 4.1 below. A number of other pronouncements are effective from 1 July 2019 as detailed in Company's annual audited financial statement as at and for the year ended 30 June 2019, but they do not have a material effect on this condensed interim financial statements and therefore have not been detailed.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contain changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRS and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRS. The standard is not likely to have any effect on Company's financial statements.

4. CHANGE IN ACCOUNTING POLICIES

The following accounting standard became effective during the period as applicable in Pakistan for the first time for the period ended 31 December 2019 and are relevant to the Company.

4.1 IFRS 16 "Leases"

"The Company has adopted IFRS 16 'Leases' from July 01, 2019. IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments."

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. Under IFRS 16, the Company determines whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after July 1, 2019.

B. As a lessee

As a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet. The Company has elected to apply the IFRS 16 requirements on the rented properties only. Low value assets, if there any, are and shall remain excluded from its application. The Company shall recognize the lease payments associated with any low value assets as an expense on a straight-line basis over the lease term.

i. Significant accounting policies

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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 the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17. The lease typically runs for a period of 3 to 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at July 1, 2019. The Right-of-use assets were measured at the amount of leased liability, adjusted by the amount of prepaid lease payments recognized in the statement of the financial position immediately before the date of initial application.

The impact of adoption of IFRS 16 on the condensed interim statement of financial position as at 31 March 2020 is as follows:

	Note	(Un-audited) 31 March 2020	(un-audited) 1 July 2019
..... (Rupees in '000)			
Right-of-use assets		48,771	60,243
Lease liabilities		48,137	60,243

5. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

5.1 The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

5.2 The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2019 except for those related to IFRS 16 as explained in note 4.1.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Note	(Un-audited) 31 March 2020	(Audited) 30 June 2019
..... (Rupees in '000)			
Operating assets	6.1	13,296,094	5,145,979
Capital work-in-progress - Clinker production Line-III (CP)	6.2	17,477,283	16,905,088
Capital work-in-progress - Cement production and Dispatch Plant Line-III (CPD)	6.3	-	8,093,009
Capital work-in-progress - Waste Heat Recovery System (WHRS)	6.4	1,759,470	-
Capital work-in-progress - Others	6.5	2,909,492	2,375,317
Capitalisable stores and spares - Line III	6.6	318,061	318,061
Capitalisable stores and spares - Line I & II	6.7	98,089	104,841
		<u>35,858,489</u>	<u>32,942,295</u>

6.1 Operating assets

Opening written down value		5,145,979	5,110,695
Additions during the period / year - at cost			
Plant and machinery		26,343	126,772
Plant and machinery - Cement Production and Dispatch Plant Line III (CPD)		8,093,009	-
Factory building on leasehold land		-	1,255
Non Factory building on leasehold land		105,866	1,553
Leasehold Improvement		-	3,607
Factory and laboratory equipment		4,364	8,912
Quarry equipment		792	179
Computers and peripherals		2,898	3,407
Office equipment		-	3,682
Furniture and fixtures		11,157	11,405
Vehicles		202	24,856
		8,244,631	185,628
Written down value of deletions during the period / year		(3,196)	(233)
Depreciation for the period / year		(91,320)	(150,111)
		(94,516)	(150,344)
Closing written down value		<u>13,296,094</u>	<u>5,145,979</u>

	(Un-audited) 31 March 2020	(Audited) 30 June 2019
	(Rupees in '000)	
6.2 Capital work-in-progress - Clinker production Line-III (CPL)		
Opening balance	16,905,088	14,610,588
Additions	572,195	2,294,500
Closing balance	<u>17,477,283</u>	<u>16,905,088</u>
6.3 Capital work-in-progress - Cement production and Dispatch Plant Line-III (CPD)		
Opening balance	8,093,009	-
Additions during the period / year	-	8,093,009
Transferred to operating fixed assets	(8,093,009)	-
Closing balance	<u>-</u>	<u>8,093,009</u>
6.4 Capital work-in-progress - Waste Heat Recovery System (WHRS)		
Opening balance	-	-
Additions during the period / year	1,759,470	-
Closing balance	<u>1,759,470</u>	<u>-</u>
6.5 Capital work-in-progress - Others		
Opening balance	2,375,317	-
Additions during the period / year	534,175	2,375,317
Closing balance	<u>2,909,492</u>	<u>2,375,317</u>
6.6 Capitalisable stores and spares - Line III		
Opening balance	318,061	-
Additions during the period / year	-	318,061
Transferred to property, plant and equipment	-	-
Closing balance	<u>318,061</u>	<u>318,061</u>
6.7 Capitalisable Stores and Spares - Line I & II		
Opening balance	104,841	122,061
Additions during the period / year	1,380	57,825
Transferred to property, plant and equipment	(8,132)	(75,045)
Closing balance	<u>98,089</u>	<u>104,841</u>
7 STORES, SPARES AND LOOSE TOOLS		
Stores	274,857	251,304
Coal	680,718	316,667
Spare parts	364,656	372,738
Loose tools	4,326	4,668
	<u>1,324,558</u>	<u>945,377</u>
Provision for slow moving / obsolete stock	(13,519)	(13,519)
	<u>1,311,039</u>	<u>931,858</u>
7.1 This includes Coal-in-transit amounting to Rs. 79 million (2019: Nil).		

8	LOAN / ADVANCE FROM RELATED PARTY	Note	(Un-audited) 31 March 2020	(Audited) 30 June 2019
			(Rupees in '000)	
	Loan / advance From Related Party - Unsecured		2,428,000	-

- 8.1 This represents loan from Mr. Arif Habib - sponsor of the company. It carries markup at the rate of 3 month Kibor plus 2.25% per anum.

9	TRADE AND OTHER PAYABLES	Note	(Un-audited) 31 March 2020	(Audited) 30 June 2019
			(Rupees in '000)	
	Trade creditors		267,660	195,398
	Project Line III creditors		82,332	2,317,538
	Payable against WHRS		1,688,761	-
	Bills payable		342,837	263,775
	Bills payable Line III		903,550	320,955
	Accrued liabilities		147,981	85,512
	Royalty payable on raw material		8,237	154
	Excise duty payable on raw material		5,822	3,174
	Advance from customer		412,075	128,974
	Retention money payable		1,130	1,130
	Federal excise duty payable		141,756	20,426
	Workers' welfare fund (WWF)		5,012	5,012
	Withholding tax payable		48,690	128,985
	Leave encashment payable		14,983	23,188
	Current maturity of staff retirement benefits		-	39,168
	Others		970	1,185
			<u>4,071,797</u>	<u>3,534,574</u>

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There is no change in the status of the contingencies as disclosed in note 23.1 to the annual financial statements for the year ended 30 June 2019, except as mentioned below.

During the period, the Company filed a constitutional petition before the High Court of Sindh challenging certain levies charged in its monthly electricity bills by the name of 'Quarter Tariff' and 'Distribution Margin Charges'. The Court has granted an interim relief to the Company in its order dated February 27, 2020, by virtue whereof Hyderabad Electricity Supply Corporation (HESCO) is issuing bills to the Company without charging these disputed levies. Amount thus far involved in this case aggregates to Rs 157 million out of which Rs 56 million was already paid by the Company under protest (before grant of aforesaid interim relief) and is included in 'Advances and other receivables'.

10.2	Commitments	(Un-audited) 31 March 2020	(Audited) 30 June 2019
		(Rupees in '000)	
	Commitments against open letter of credit for:		
	Coal	922,097	431,346
	Stores and spares	18,313	15,128
		<u>940,410</u>	<u>446,474</u>
	Commitments against letter of guarantees	684,500	1,192,000
	Commitment against purchase of land	-	61,370
	Ijarah rentals	46,357	38,819
		<u>1,671,267</u>	<u>1,738,663</u>

11. SALES - NET	(Un-audited) Nine months period ended 31 March	
	2020	2019
 (Rupees in '000)	
Local	4,201,140	4,464,205
Export	48,121	50,482
	<u>4,249,261</u>	<u>4,514,687</u>
Less :		
Sales tax	(764,467)	(774,875)
Federal excise duty	(837,513)	(688,712)
	<u>(1,601,980)</u>	<u>(1,463,587)</u>
	<u>2,647,281</u>	<u>3,051,100</u>
12. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and other benefits including retirement benefits	51,145	35,101
Export expenses	17,781	24,102
Advertisement	13,364	5,705
Depreciation	2,623	3,159
Marking fee	2,452	3,344
Incentives and commission on local sales	40,697	17,691
Others	8,808	5,193
	<u>136,870</u>	<u>94,295</u>
13. TAXATION		

During the period, commercial production of the Company's "Cement Production & Dispatch (CPD)" project started – the project was financed through equity proceeds and is hence entitled for a tax credit under section 65 E of the Income Tax Ordinance, 2001 for a period of five years. Since, the Company already has sufficient tax credit to fully adjust the expected tax liability of the current financial year, therefore no tax asset has been booked under section 65 E for the period ended March 31, 2020.

14. CASH (USED IN) OPERATIONS**(Un-audited)
Nine months period ended
31 March****2020** **2019**

(Rupees in '000)

Loss before taxation

(2,487,278)

(52,523)

Adjustment for:

Depreciation and amortization

91,453

119,883

Finance cost on short term financing

479,451

103,115

Finance cost on long term financing

1,435,793

4,572

Exchange loss on bills payable & Others

242,753

48,145

Gain on disposal of fixed assets

(76,892)

(367)

Finance income

(10,941)

(17,158)

Provision for gratuity

29,297

20,019

2,190,914

278,209

Operating (loss) / profit before working capital changes**(296,364)****225,686****Decrease / (increase) in current assets**

Stores, spares and loose tools

(379,181)

6,022

Stock-in-trade

(165,243)

(366,549)

Trade debts

(28,147)

(182,207)

Advances and other receivables

809,559

40,108

Trade deposits and prepayments

(65,400)

(8,474)

171,588

(511,099)

Decrease in trade and other payables**379,820****98,341****Net cash used in operations****255,044****(187,073)****15. CASH AND CASH EQUIVALENTS**

Cash and bank balances

115,917

375,626

Short term borrowings

(7,862,882)

(4,083,360)

(7,746,965)(3,707,734)

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties which are related to the Company in pursuit of IAS 24 'Related Party Disclosures' including associates, staff retirement benefit plans and key management personnel are considered for disclosure of related party transactions.

			(Un-audited)	
			Nine months period ended	
			31 March	
			2020	2019
Transactions with related parties			(Rupees in'000)	
Name of the related party	Relationship	Transactions during the period		
Aisha Steel Mills Limited	Associated company by virtue of common directorship	- Sale of goods	619	1,625
		- Payment received	571	1,904
Safe Mix Concrete Limited	Associated company by virtue of common directorship	- Sale of goods	23,379	265,368
		- Payment received	67,772	165,182
Javedan Corporation Limited	Associated company by virtue of common directorship	- Sale of goods	46,036	38,257
		- Payment received	29,752	56,743
Rotocast Engineering Company (Private) Limited	Associated company by virtue of common directorship	- Services received	9,723	8,681
		- Rent accrued	10,289	4,904
		- Payments made	20,130	13,541
Arif Habib Corporation Limited	Associated company by virtue of common directorship	- Loan received	416,000	-
		- Loan paid	416,000	-
		- Mark-up accrued	19,399	-
		- Mark-up paid	14,862	-
		- Guarantee commission accrued	1,212	-
		- Guarantee commission paid	1,212	-
Arif Habib Equity (Private) Limited	Associated company by virtue of common directorship	- Loan received	-	972,000
		- Mark-up accrued	260,888	2,513
		- Mark-up paid	262,580	-
Mr. Arif Habib	Sponsor	- Loan / advance from related party	2,428,000	-
		- Mark-up accrued	231,051	-
EFU Life Assurance Limited	Associated company by virtue of common directorship	-Services received	4,141	4,016
		-Payments made	4,141	4,016
FLSmith A/S	Related party by virtue of nominee director	-Services received	689,000	2,239,095
		- Payment made	-	2,239,095
Fatima Packaging Limited	Associated company by virtue of common directorship	-Purchase of goods	108,111	32,294
		-Payments made	76,427	25,713
Key management personnel	Key management	-Remuneration and other benefits	111,548	130,999
		-Advances disbursed to employees	7,614	6,041
		-Advances repaid by employees	9,710	2,721
Staff retirement benefit fund	Staff benefit plan	-Charge during the period	29,297	20,019
		-Contribution during the period	50,473	8,910

	(Un-audited) 31 March 2020	(Audited) 30 June 2019
 (Rupees in '000)	
Balances with related parties		
Aisha Steel Mills Limited		
- Trade receivable	103	55
Safe Mix Concrete Limited		
- Trade receivable	40,244	84,622
Javedan Corporation Limited		
- Trade receivable	27,715	11,431
- Other receivable	39	39
Rotocast Engineering Company (Private) Limited		
- Amount payable against services received	708	826
Arif Habib Corporation Limited		
- Mark-up & guarantee commission payable	4,957	421
Arif Habib Equity (Private) Limited		
- Loan payable (including mark-up)	1,927,683	1,929,375
Mr. Arif Habib - Sponsor		
- Loan / advance from related party	2,428,000	-
FLSmith A/S		
- Amount payable against services received	903,550	320,955
Fatima Packaging Limited		
- Amount payable against goods purchased	42,880	11,197
Key management personnel		
- Advances to employees	38,665	40,761
Staff retirement benefit fund		
- Payable to gratuity fund	75,915	97,091

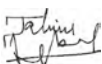
17. OPERATING SEGMENTS

17.1 This condensed interim financial statements have been prepared on the basis of single reporting segment.

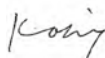
17..2 All non-current assets of the Company as at 31 March 2020 are located in Pakistan.

18. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements has been authorized for issue on 20 May 2020 by the Board of Directors.



Chief Financial Officer



Chief Executive

















Director



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