

Half yearly Report December 31, 2021

# Inspiring Excellence through Strength



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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. Samad A. Habib     | 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

Mr. Tahir Iqbal

## Company Secretary

Mr. Salman Gogan

## Chief Operating Officer

Mr. Ahsan Anis

## External Auditors

A.F. Ferguson & Co. Chartered Accountants

## Legal Advisor

HaiderMota & Co.  
Advocates

Mr. Asad Iftikhar

## Share Registrar

CDC Share Services Limited  
CDC House, 99-B,Block-B, SMCHS,Main  
Shahrah-e-Faisal, Karachi – 74400

## Bankers / Lenders of the Company

### Local Banks / DFIs

Allied Bank Limited  
Al Baraka Bank (Pakistan) Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Bankislami 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  
The Bank of Khyber  
Summit Bank Limited  
Samba Bank Limited  
United Bank Limited

### Foreign Banks / DFIs

DEG - Deutsche Investitionsund  
Entwicklungsgesellschaft mbH - Germany  
The OPEC Fund for International Development  
("OFID") - Austria  
Islamic Corporation for the Development  
of the Private Sector ("ICD") - Saudi Arabia

### Registered Office

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

### Factory

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

### Website:

[www.powercement.com.pk](http://www.powercement.com.pk)

### Contact number

021-32468231-32  
021-32468350-51

### Fax number

021-32463209

# DIRECTORS' REVIEW

The Directors of your Company present herewith their review along with the un-audited Condensed Interim Financial Information for the six months period ended December 31, 2021.

## INDUSTRY OVERVIEW

The Cement industry sales declined by 4 percent to 27.5 million tons during the period under review as compared to 28.6 million tons during the same period last year. The domestic sales registered a growth of 2 percent to 24.1 million tons during the period under review as compared to 23.6 million tons during the same period last year. The exports, however, registered a decline of 32 percent to 3.4 million tons from 5.02 million tons during the same period last year.

The domestic sales in South Zone, where your Company is situated increased by 15% to 3.9 million tons during the period under review as compared to 3.4 million tons during the same period last year. However, the export sales decreased by 25% to 2.8 million tons as

compared to 3.8 million tons during the same period last year. As a result, the South Zone closed at a total dispatch of 6.75 million tons.

In the North Zone, the domestic sales more or less remained the same, however the export sales declined by 55%. As a result, the North Zone recorded a net decline of 3%.

## BUSINESS PERFORMANCE

### Production & Sales Volume Performance:

The production and sales volume statistics of your Company for the six months period ended December 31, 2021 together with the corresponding period is as under:

| Particulars        | Six months period ended |                     |               |
|--------------------|-------------------------|---------------------|---------------|
|                    | December 31<br>2021     | December 31<br>2020 | Variance<br>% |
|                    | <b>In Tons</b>          |                     |               |
| Cement production  | <b>820,765</b>          | 893,109             | (8) %         |
| Clinker production | <b>1,263,671</b>        | 1,208,333           | 4 %           |

| Particulars                         | Six months period ended |                     |               |
|-------------------------------------|-------------------------|---------------------|---------------|
|                                     | December 31<br>2021     | December 31<br>2020 | Variance<br>% |
|                                     | <b>In Tons</b>          |                     |               |
| Cement / clinker dispatches (Local) | 901,255                 | 768,589             | 17 %          |
| Cement dispatches (Export)          | 46,262                  | 113,168             | (59) %        |
| Clinker dispatches (Export)         | 317,335                 | 332,054             | (4) %         |
| <b>Total</b>                        | <b>1,264,852</b>        | <b>1,213,811</b>    | <b>4%</b>     |

The production of clinker increased by 55,338 metric tons. The overall capacity utilization of clinker stood at 79% as compared to 75% of the corresponding period.

## Financial performance

An analysis of the key financial results of your Company for the six months period ended December 31, 2021 is as under:

| Particulars                | Six months period ended |                     |
|----------------------------|-------------------------|---------------------|
|                            | December 31<br>2021     | December 31<br>2020 |
|                            | Rupees in '000          |                     |
| Net sales revenue          | 9,276,007               | 6,835,343           |
| Gross profit               | 1,817,935               | 1,671,866           |
| Profit after tax           | 280,439                 | 154,105             |
| Earnings per share (Rupee) | 0.16                    | 0.085               |

### Net Sales Revenue

The net sales revenue increased by 36% during the period. The local sales volume increased to 901,255 tons as compared to 768,589 tons during the corresponding period. However, the export sales remained under pressure primarily due to unprecedented high freights and swelled production costs owing to the ever increasing coal prices.

### Gross Profit

The Gross Margin of the Company stood at 20% as compared to 24% in the corresponding period primarily due to increase in production costs which were partially offset by increase in retention prices.

### Net Loss

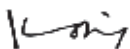
The Company achieved a profit after tax of PKR 280 million during the period under review as compared to PKR 154 million reported during the same period last year.

### FUTURE OUTLOOK

The global inflationary trend in the commodities has resulted in increase in coal prices along with freight charges which are a major cost component of cement.

However, the Construction package announced by the Federal Government for the construction industry coupled with various initiatives taken by the State Bank of Pakistan has supported the housing sector. Construction of dams, hydropower projects, real estate development and low cost housing schemes will help to maintain the demand of cement in the medium to long term which suggests a positive outlook for the Cement Industry in Pakistan. However, the escalation in current account deficit and downward pressure on currency present downside risks to growth outlook.

In order to boost liquidity and profitability, Management of the Company is focused on cost control measures and has adopted strategies accordingly. Your Company is



**Muhammad Kashif Habib**  
Chief Executive Officer

Karachi: February 28, 2022

working in all relevant areas including use of alternative fuels and optimized operations of the plant to reduce fixed costs.

Subsequent to the period, the Company has entered into an agreement with M/s. Burj Solar Energy (Private) Limited for setting up a 7MW Solar Power Plant at the Company's existing site for procurement of electricity on a fixed tariff for the next twenty (20) years.

The Management is fully aligned with the rapid changes in regulatory regime and market dynamics. Efforts are being made to curtail the costs wherever possible and create a price efficient sales mix to maximize profitability, mitigate market risks, meet future challenges and maintain business growth.

### 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 Shareholders, 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 its contractors towards the successful completion of expansion project. 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



**Nasim Beg**  
Chairman



# FINANCIAL STATEMENTS

HALF YEALY REPORT DECEMBER 31, 2021



**INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Power Cement Limited**

**Report on review of Interim Financial Statements**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Power Cement Limited as at December 31, 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

**Scope of Review**

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

**Conclusion**

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

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

Chartered Accountants  
Karachi

Date: February 28, 2022

UDIN: AR202110073aL20THyeM

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

|   |    | (Unaudited)<br>December 31,<br>2021 | (Audited)<br>June 30,<br>2021 |
|---|----|-------------------------------------|-------------------------------|
|   |    | (Rupees in '000)                    |                               |
| <b>ASSETS</b>   |    |                                     |                               |
| <b>Non-current assets</b>                                   |    |                                     |                               |
| Property, plant and equipment                               | 6  | 35,959,230                          | 36,270,530                    |
| Right-of-use asset  | 7  | 30,905                              | 37,086                        |
| Intangible asset  |    | 1,690                               | 2,958                         |
| Long-term investments                                       | 8  | 25,476                              | 24,873                        |
| Deferred tax asset  | 9  | 2,430,909                           | 2,104,838                     |
| Long-term deposits  | 10 | 73,377                              | 42,338                        |
|   |    | <u>38,521,587</u>                   | <u>38,482,623</u>             |
| <b>Current assets</b>                                       |    |                                     |                               |
| Inventories   | 12 | 1,762,711                           | 1,149,511                     |
| Stores, spares and loose tools                              | 11 | 1,563,642                           | 1,748,535                     |
| Trade receivables - considered good                         | 13 | 292,427                             | 275,250                       |
| Advances and other receivables - unsecured, considered good |    | 564,403                             | 385,427                       |
| Taxation - payments less provision                          |    | 489,744                             | 512,210                       |
| Trade deposits and short-term prepayments                   |    | 45,281                              | 63,440                        |
| Tax refunds due from government - sales tax                 | 14 | 1,459,746                           | 2,063,361                     |
| Derivative financial asset                                  |    | 1,092,883                           | 529,816                       |
| Short-term investments                                      |    | 26,399                              | 26,399                        |
| Cash and bank balances                                      | 15 | 177,637                             | 255,106                       |
|   |    | <u>7,474,873</u>                    | <u>7,009,055</u>              |
| <b>TOTAL ASSETS</b>   |    | <u><u>45,996,460</u></u>            | <u><u>45,491,678</u></u>      |



Chief Financial Officer



Chief Executive Officer



Director



## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

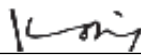
AS AT DECEMBER 31, 2021

|   | Note | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|---|------|---|-------------------------------|
| <b>Share capital and reserves</b>   |      |   |                               |
| <b>Share capital</b>  |      |   |                               |
| Ordinary shares   | 16   | 11,092,038  | 10,634,144                    |
| Cumulative preference shares  |      | <u>2,102,433</u>  | <u>2,445,853</u>              |
|   |      | 13,194,471  | 13,079,997                    |
| <b>Reserves</b>   |      |   |                               |
| <b>Capital Reserve</b>  |      |   |                               |
| Share premium   |      | 739,493   | 739,493                       |
| Difference on conversion of cumulative preference shares into ordinary shares |      | (114,474)   | -                             |
| <b>Revenue Reserve</b>  |      |   |                               |
| Accumulated loss  |      | <u>(2,794,136)</u>                                      | <u>(3,074,575)</u>            |
|   |      | 11,025,354  | 10,744,915                    |
| <b>LIABILITIES</b>  |      |   |                               |
| <b>Non-current liabilities</b>  |      |   |                               |
| Long-term financing - secured   | 17   | 18,171,655  | 18,403,048                    |
| Long-term trade and other payables  | 18   | 505,183   | -                             |
| Long-term lease liability   |      | 24,651  | 31,675                        |
| Deferred grant income   |      | -   | 1,997                         |
| Staff retirement benefits   |      | <u>101,060</u>  | <u>108,965</u>                |
|   |      | 18,802,549  | 18,545,685                    |
| <b>Current liabilities</b>  |      |   |                               |
| Trade and other payables  |      | 2,521,981   | 4,666,500                     |
| Advances from customers   |      | 670,727   | 606,381                       |
| Unclaimed dividend  |      | 126   | 126                           |
| Accrued mark-up   |      | 1,273,190   | 1,258,520                     |
| Short-term financing - secured  | 19   | 7,598,851   | 7,679,924                     |
| Loan from related parties   | 20   | 2,266,000   | 680,000                       |
| Current portion of long-term lease liability                                  |      | 13,024  | 11,755                        |
| Current portion of long-term financing  | 17   | <u>1,824,658</u>  | <u>1,297,872</u>              |
|   |      | 16,168,557  | 16,201,078                    |
| <b>TOTAL LIABILITIES</b>  |      | <u>34,971,106</u>                                       | <u>34,746,763</u>             |
| <b>Contingencies and commitments</b>  | 21   |   |                               |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <u>45,996,460</u>                                       | <u>45,491,678</u>             |

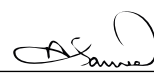
The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer




Director

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|  | Note | Half year ended            |                               | Quarter ended          |                               |
|--|------|----------------------------|-------------------------------|------------------------|-------------------------------|
|  |      | December 31, 2021          | December 31, 2020<br>Restated | December 31, 2021      | December 31, 2020<br>Restated |
| (Rupees in '000)   |      |                            |                               |                        |                               |
| Revenue from contracts with customers  | 22   | 9,276,007                  | 6,835,343                     | 5,162,217              | 3,595,345                     |
| Cost of sales  |      | (7,458,072)                | (5,163,477)                   | (4,180,946)            | (2,572,832)                   |
| <b>Gross profit</b>  |      | <b>1,817,935</b>           | <b>1,671,866</b>              | <b>981,271</b>         | <b>1,022,513</b>              |
| Selling and distribution expenses  | 23   | (604,880)                  | (622,045)                     | (370,172)              | (296,223)                     |
| Administrative expenses  |      | (142,671)                  | (119,622)                     | (81,531)               | (79,568)                      |
| Reversal / (loss) allowance on trade receivables                                 |      | 40,321                     | (8,865)                       | 40,321                 | (8,865)                       |
| Other income / (expense)   | 24   | 266,235<br>(440,995)       | 196,012<br>(554,520)          | 391,184<br>(20,198)    | 62,417<br>(322,239)           |
| <b>Profit from operations</b>  |      | <b>1,376,940</b>           | <b>1,117,346</b>              | <b>961,073</b>         | <b>700,274</b>                |
| Finance income   |      | 2,832                      | 5,514                         | 1,500                  | 4,362                         |
| Finance cost   |      | (1,318,185)<br>(1,315,353) | (1,273,189)<br>(1,267,675)    | (679,089)<br>(677,589) | (634,968)<br>(630,606)        |
| <b>Profit / (loss) before income tax</b>   |      | <b>61,587</b>              | <b>(150,329)</b>              | <b>283,484</b>         | <b>69,668</b>                 |
| Taxation   | 25   | 218,852                    | 304,434                       | 187,362                | 169,702                       |
| <b>Profit after taxation</b>   |      | <b>280,439</b>             | <b>154,105</b>                | <b>470,846</b>         | <b>239,370</b>                |
| <b>Other comprehensive income / (loss)</b>                                       |      |                            |                               |                        |                               |
| 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 |      | 563,067                    | 95,308                        | 61,356                 | (89,800)                      |
| Adjustment for amounts transferred to profit or loss                             |      | (563,067)                  | -                             | (250,638)              | -                             |
|  |      | -                          | 95,308                        | (189,282)              | (89,800)                      |
| <b>Total comprehensive income for the period</b>                                 |      | <b>280,439</b>             | <b>249,413</b>                | <b>281,564</b>         | <b>149,570</b>                |
| (Rupees)   |      |                            |                               |                        |                               |
| <b>Earnings per share - basic</b>  | 26   | <b>0.160</b>               | <b>0.085</b>                  | <b>0.387</b>           | <b>0.165</b>                  |
| <b>Diluted earnings per share</b>  | 26   | <b>-</b>                   | <b>-</b>                      | <b>0.338</b>           | <b>-</b>                      |


The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

## CONDENSED INTERIM STATEMENT OF CASH FLOWS


FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|   | Note | December 31,<br>2021<br>(Rupees in '000) | December 31,<br>2020 |
|---|------|--|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |  |                      |
| Cash generated from operations                                | 27   | 142,568                                  | 615,186              |
| Gratuity paid   |      | (31,317)                                 | (15,365)             |
| Income tax paid   |      | (84,753)                                 | (51,800)             |
| Deposits paid   |      | (31,039)                                 | -                    |
| Finance cost paid   |      | (1,254,086)                              | (1,901,407)          |
|   |      | (1,401,195)                              | (1,968,572)          |
| <b>Net cash used in operating activities</b>                  |      | <b>(1,258,627)</b>                       | <b>(1,353,386)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |  |                      |
| Capital expenditure - operations                              |      | (192,318)                                | (79,153)             |
| Proceeds from sale of property, plant and equipment           |      | 10,800                                   | 1,545                |
| Interest received   |      | 2,229                                    | 4,963                |
| <b>Net cash used in investing activities</b>                  |      | <b>(179,289)</b>                         | <b>(72,645)</b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |  |                      |
| (Repayment) / proceeds of long-term financing - net           |      | (136,933)                                | 1,544,941            |
| Issuance cost of preference shares                            |      | -  | (13,479)             |
| Repayment of short term financing - net                       |      | (181,073)                                | (400,500)            |
| Lease rentals paid  |      | (7,547)                                  | (6,859)              |
| Proceeds from issue of preference shares                      |      | -  | 1,648,895            |
| Proceeds of loan from related parties - net                   |      | 1,586,000                                | (1,139,000)          |
| <b>Net cash generated from financing activities</b>           |      | <b>1,260,447</b>                         | <b>1,633,998</b>     |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |      | <b>(177,469)</b>                         | <b>207,967</b>       |
| Cash and cash equivalents at beginning of the period          |      | (244,894)                                | (310,651)            |
| <b>Cash and cash equivalents at end of the period</b>         | 28   | <b>(422,363)</b>                         | <b>(102,684)</b>     |


The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|  | Issued, subscribed and paid up capital | Advance against preference right issue | Difference on conversion of cumulative preference shares into ordinary shares (note 16.3.2) | Capital reserve |                 | Revenue reserves   | Total equity      |
|--|--|--|---|-----------------|-----------------|--------------------|-------------------|
|  |  |  |   | Share premium   | Hedging reserve | Accumulated loss   |                   |
| ← (Rupees in '000) →   |  |  |   |                 |                 |                    |                   |
| Balance as at July 1, 2020   | 10,634,144                             | 523,754                                | -   | 749,063         | -               | (3,428,326)        | 8,478,635         |
| Total comprehensive income / (loss) for the period   |  |  |   |                 |                 |                    |                   |
| Preference shares issued   | 2,445,853                              | (523,754)                              | -   |                 |                 |                    | 1,922,099         |
| Profit for the period - restated   | -                                      | -                                      | -   | -               | -               | 154,105            | 154,105           |
| Issuance cost of preference shares - net of tax  | -                                      | -                                      | -   | (9,570)         | -               | -                  | (9,570)           |
| Other comprehensive income for the period - restated   | -                                      | -                                      | -   | -               | 95,308          | -                  | 95,308            |
| Total comprehensive income / (loss) for the period   | 2,445,853                              | (523,754)                              | -   | (9,570)         | 95,308          | 154,105            | 2,161,942         |
| Balance as at December 31, 2020 - restated   | <u>13,079,997</u>                      | <u>-</u>                               | <u>-</u>  | <u>739,493</u>  | <u>95,308</u>   | <u>(3,274,221)</u> | <u>10,640,577</u> |
| Balance as at July 1, 2021   | 13,079,997                             | -                                      |   | 739,493         | -               | (3,074,575)        | 10,744,915        |
| Total comprehensive income / (loss) for the period   |  |  |   |                 |                 |                    |                   |
| Loss for the period  | -                                      | -                                      | -   | -               | -               | 280,439            | 280,439           |
| Cumulative preference shares of Rs. 10 each converted into 1,333 Ordinary Shares of Rs. 10 each during the year. | 114,474                                | -                                      | (114,474)   | -               | -               | -                  | -                 |
| Other comprehensive income for the period  | 114,474                                | -                                      | (114,474)   | -               | -               | 280,439            | 280,439           |
| Balance as at December 31, 2021  | <u>13,194,471</u>                      | <u>-</u>                               | <u>(114,474)</u>  | <u>739,493</u>  | <u>-</u>        | <u>(2,794,136)</u> | <u>11,025,354</u> |

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

### 1. THE COMPANY AND ITS OPERATIONS

Power Cement Limited (the Company) was incorporated in Pakistan as a private limited company on December 1, 1981 and was converted into a public limited company on July 9, 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

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

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

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

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2021.

#### 2.1 Changes in accounting standards, interpretations and pronouncements

##### a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2021. However, these do not have any significant impact on the Company's financial reporting.

##### b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

### 3. RESTATEMENT

At the time of finalisation of annual financial statements of the Company for the year ended June 30, 2021, the management re-assessed to remeasure foreign loans, as disclosed in note 17.4 to these condensed interim financial statements, at the exchange rate prevalent at the reporting date and the same treatment has been applied since the inception of the loan. The effect of changes have been mentioned below.

|  | Quarter<br>ended<br>December<br>31, 2020 | Half year<br>ended<br>December<br>31, 2020 |
|--|--|--|
|  | Rupees in '000                           |  |
| <b>Impact on condensed interim statement of profit or loss account and other comprehensive income.</b> |  |  |
| (Decrease) / increase in other income  | (302)                                    | 120,165                                    |
| Increase / (decrease) in taxation - deferred   | 88                                       | (34,848)                                   |
| <b>Impact on condensed interim statement of comprehensive income</b>                                   |  |  |
| Net (decrease) / increase in profit or loss and other comprehensive income                             | (214)                                    | 85,317                                     |
| <b>Impact on (loss) / earnings per share - basic / diluted</b>   |  |  |
| (Decrease)/ increase in earnings per share - basic / diluted   | (0.009)                                  | 0.080                                      |
| <b>Impact on condensed interim statement of changes in equity</b>                                      |  |  |
| Balance as per previously reported   |  | 11,305,019                                 |
| Effect of restatement  |  | (664,442)                                  |
| Balance restated   |  | <u><u>10,640,577</u></u>                   |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 4. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2021.

### 5. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2021.

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 June 30, 2021.

|   | Note | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|---|------|---|-------------------------------|
| <b>6. PROPERTY, PLANT AND EQUIPMENT</b> |      |   |                               |
| Operating assets                        | 6.1  | 35,549,650  | 35,926,941                    |
| Capital work-in-progress                |      | 84,890  | -                             |
| Capitalisable stores and spares         |      | 324,690   | 343,589                       |
|   |      | <u>35,959,230</u>                                       | <u>36,270,530</u>             |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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|   | (Unaudited)<br>December 31,<br>2021 | (Audited)<br>June 30,<br>2021 |
|---|-------------------------------------|-------------------------------|
|   | (Rupees in '000)                    |                               |
| <b>6.1 Operating assets</b>                         |                                     |                               |
| <b>Opening net book value</b>                       | <b>35,926,941</b>                   | 13,371,372                    |
| <b>Additions during the period / year - at cost</b> |                                     |                               |
| Plant and machinery                                 | 114,506                             | 22,170,999                    |
| Factory building on leasehold land                  | -                                   | 22,982                        |
| Non factory building on leasehold land              | 1,999                               | 1,368,164                     |
| Factory and laboratory equipment                    | 6,623                               | 2,380                         |
| Computers and peripherals                           | 1,239                               | 4,169                         |
| Office equipment                                    | 1,171                               | 2,108                         |
| Furniture and fixtures                              | 142                                 | 473                           |
| Vehicles  | 647                                 | 1,768                         |
|   | <b>126,327</b>                      | 23,573,043                    |
| Disposals during the period / year - Net book value | (548)                               | (1,493)                       |
| Write off during the period / year                  | -                                   | (30,892)                      |
| Depreciation for the period / year                  | (503,070)                           | (985,089)                     |
|   | <b>(503,618)</b>                    | (1,017,474)                   |
| <b>Closing net book value</b>                       | <b>35,549,650</b>                   | 35,926,941                    |

7. The right-of-use asset comprise leasehold building used by the Company for its operations.

|                                 |      | (Unaudited)<br>December 31,<br>2021 | (Audited)<br>June 30,<br>2021 |
|---------------------------------|------|-------------------------------------|-------------------------------|
|                                 | Note | (Rupees in '000)                    |                               |
| <b>8. LONG-TERM INVESTMENTS</b> |      |                                     |                               |
| <b>Amortised cost</b>           |      |                                     |                               |
| Defence savings certificates    | 8.1  | 16,802                              | 16,199                        |
| Term deposit receipts           | 8.2  | 8,674                               | 8,674                         |
|                                 |      | <b>25,476</b>                       | <b>24,873</b>                 |

8.1 These Defence Saving Certificates (DSCs) having face value of Rs 11.65 million are for a period of 10 years with maturity in 2026. These carry mark-up at effective interest rate of 7.44% per annum. These DSCs are pledged with the Nazir of High Court of Sindh.

8.2 These represent term deposits placed with local banks which carry profit at declared rates of 6.50% - 11% (June 30, 2021: 4.07% - 7.20%) per annum.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 9. DEFERRED TAX ASSET

Deferred tax asset has been restricted to 75.49% (June 30, 2021: 77%) of the total deferred tax asset based on the assumptions that export sales will continue to fall under Final Tax Regime and the Company will be able to achieve its export target as per expectation.

10. During the period, the Company has signed the term sheet of Equipment Rental Agreement (the agreement) for procurement of electricity on a fixed tariff and paid an amount of Rs. 31 million as security deposit. Subsequently, the agreement was signed on January 6, 2022.

|   | Note | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|---|------|---|-------------------------------|
| <b>11. STORES, SPARES AND LOOSE TOOLS</b>                                       |      |   |                               |
| Stores  |      | 462,711   | 433,566                       |
| Coal  |      | 433,843   | 752,461                       |
| Spares  |      | 671,104   | 567,372                       |
| Loose tools   |      | 9,503   | 8,655                         |
|   |      | <u>1,577,161</u>  | <u>1,762,054</u>              |
| Less: Provision for slow moving / obsolete stock                                |      | <u>(13,519)</u>   | <u>(13,519)</u>               |
|   |      | <u>1,563,642</u>  | <u>1,748,535</u>              |
| <b>12. INVENTORIES</b>  |      |   |                               |
| Raw material  |      | 46,971  | 107,618                       |
| Packing material  |      | 137,343   | 147,619                       |
| Semi-finished goods   |      | 1,378,941   | 735,330                       |
| Work-in-process   |      | 15,883  | 12,615                        |
| Finished goods  |      | 183,573   | 146,329                       |
|   |      | <u>1,762,711</u>  | <u>1,149,511</u>              |
| <b>13. TRADE RECEIVABLES - considered good</b>                                  |      |   |                               |
| Secured   |      | 25,480  | 1,636                         |
| Unsecured   |      |   |                               |
| - Due from related parties  | 13.1 | 7,657   | 51,780                        |
| - Others  |      | 347,334   | 350,199                       |
|   |      | <u>380,471</u>  | <u>403,615</u>                |
| Less: Loss allowance on trade receivables                                       |      | <u>(88,044)</u>   | <u>(128,365)</u>              |
|   |      | <u>292,427</u>  | <u>275,250</u>                |
| <b>13.1 The related parties from whom the receivables are due are as under:</b> |      |   |                               |
| Javedan Corporation Limited   |      | 7,657   | 8,954                         |
| Safe Mix Concrete Limited   |      | -   | 42,826                        |
|   |      | <u>7,657</u>  | <u>51,780</u>                 |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

### 14. TAX REFUNDS DUE FROM GOVERNMENT - SALES TAX

In February 2019 the Company has challenged the levy of sales tax on import of Plant in High Court of Sindh. The Court allowed an interim relief to the Company against submission of Bank Guarantee with the Nazir of the Court. A Bank Guarantee of Rs. 528 million had been submitted with the Nazir. As per the legal advisor of the Company, the Company has a strong case in this matter, even if the matter is decided against the Company, the resultant sales tax will be paid and adjusted against the output sales tax of the Company.

|                                   | Note | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|-----------------------------------|------|---|-------------------------------|
| <b>15. CASH AND BANK BALANCES</b> |      |   |                               |
| Cash in hand                      |      | 890   | 939                           |
| Cash at bank:                     |      |   |                               |
| <b>Conventional</b>               |      |   |                               |
| - In current accounts             |      | 54,964  | 14,211                        |
| - In savings accounts             | 15.1 | 7,720   | 7,599                         |
|                                   |      | <u>62,684</u>   | <u>21,810</u>                 |
| - In current accounts             |      | 29,120  | 131,855                       |
| - In savings accounts             | 15.2 | 83,343  | 98,402                        |
|                                   |      | <u>112,463</u>  | <u>230,257</u>                |
| - Term deposit receipts (TDRs)    | 15.3 | 1,600   | 2,100                         |
|                                   |      | <u>177,637</u>  | <u>255,106</u>                |

**15.1** The mark-up rate on the savings and deposit accounts included in cash and bank balances ranges from 5% to 10.5% (June 30, 2021: 3.5% to 5%) per annum.

**15.2** These accounts are maintained under profit and loss sharing arrangements with Islamic banks at rates ranging from 5% - 8% (June 30, 2021: 3.5% - 5%) per annum.

**15.3** This includes term deposit certificates placed with local banks and carry profit at declared rates of 6.5% - 11% (June 30, 2021: 4.07% - 7.20%) per annum.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

### 16. SHARE CAPITAL

#### 16.1 Authorised share capital

| (Unaudited)<br>December 31,<br>2021<br>(Number of Shares) | (Audited)<br>June 30,<br>2021 |  | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|---|-------------------------------|--|---|-------------------------------|
| <u>1,310,000,000</u>                                      | <u>1,310,000,000</u>          | Ordinary and Cumulative Preference Shares of Rs. 10 each | <u>13,100,000</u>                                       | <u>13,100,000</u>             |

#### 16.2 Issued, subscribed and paid-up capital

##### Ordinary Shares

| (Unaudited)<br>December 31,<br>2021<br>(Number of Shares) | (Audited)<br>June 30,<br>2021 |  | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|---|-------------------------------|--|---|-------------------------------|
|   |                               | Fully paid ordinary shares of Rs. 10 each issued:  |   |                               |
| 1,051,234,846   | 1,051,234,846                 | For cash   | 10,512,348  | 10,512,348                    |
| 840,000   | 840,000                       | For consideration other than cash                  | 8,400   | 8,400                         |
| 11,339,588  | 11,339,588                    | Bonus shares                                       | 113,396   | 113,396                       |
| 45,789,388  | -                             | Converted from preference shares during the period | 457,894   | -                             |
| <u>1,109,203,822</u>                                      | <u>1,063,414,434</u>          |  | <u>11,092,038</u>                                       | <u>10,634,144</u>             |

#### 16.3 Cumulative Preference Shares

| (Unaudited)<br>December 31,<br>2021<br>(Number of Shares) | (Audited)<br>June 30,<br>2021 |  | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|---|-------------------------------|--|---|-------------------------------|
| 244,585,320   | 244,585,320                   | Fully paid Cumulative Preference Shares of Rs. 10 each | 2,445,853   | 2,445,853                     |
| (34,342,043)  | -                             | Converted to ordinary shares during the period         | (343,420)   | -                             |
| <u>210,243,277</u>  | <u>244,585,320</u>            |  | <u>2,102,433</u>  | <u>2,445,853</u>              |

16.3.1 If cash dividend is not paid in any year, due to loss or inadequate profits, then such unpaid cash dividend will accumulate and will be paid in the subsequent year(s) before any dividend is paid to the Ordinary Shareholders subject to approval of the Board of Directors.

As at December 31, 2021 the undeclared dividend on Cumulative Preference Shares amounted to Rs. 283.11 million (June 30, 2021: Rs 175.08 million).

16.3.2 Under the terms of conversion of preference shares, during the period, 34.3 million preference shares of Rs. 10 each have been converted into 45.8 million ordinary shares of Rs. 10 each resulting in a difference on conversion of cumulative preference shares into ordinary shares amounting to Rs. 114.4 million. The unpaid cumulative dividend on such preference shares will be distributed in subsequent year(s) out of the available profits subject to the approval of the Board of Directors.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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|  | Note            | (Unaudited)<br>December 31,<br>2021<br>(Rupees '000) | (Audited)<br>June 30,<br>2021 |
|--|-----------------|--|-------------------------------|
| <b>17. LONG-TERM FINANCING - secured</b> |                 |  |                               |
| <b>Local currency loan</b>               |                 |  |                               |
| Syndicated loan                          | 17.1.1 & 17.1.2 | 13,045,366   | 13,041,227                    |
| Term loan                                | 17.2            | 937,051  | 581,996                       |
| Refinance scheme                         | 17.3            | 165,577  | 192,538                       |
|  |                 | 14,147,994   | 13,815,761                    |
| Current maturity                         |                 | (896,277)  | (369,491)                     |
|  |                 | 13,251,717   | 13,446,270                    |
| <b>Foreign currency loan</b>             |                 |  |                               |
| Syndicated loan                          | 17.4            | 5,848,319  | 5,885,159                     |
| Current maturity                         |                 | (928,381)  | (928,381)                     |
|  |                 | 4,919,938  | 4,956,778                     |
|  |                 | 18,171,655   | 18,403,048                    |

**17.1.1** This includes funded / Musharaka contribution amount drawn (from a syndicate of 16 local banks/DFIs under the long-term syndicate finance facility of Rs. 16,200 million, for the expansion project of 7,700 TPD, led by National Bank of Pakistan as Investment Agent (June 30, 2021: Rs. 16,200 million). The said facility has been structured in Islamic mode of financing (Diminishing Musharaka) having Syndicate Term Finance Facility (STFF) of Rs. 16,200 million. The facility carries mark-up at the rate of 6 months KIBOR plus 1.5% (June 30, 2021: 6 months KIBOR plus 2.25%) per annum calculated on daily product basis with mark-up and principal repayment falling due on semi-annual basis. The facility is secured through first pari passu charge over current and fixed assets of the Company along with additional collaterals. This loan is payable through semi annual instalments in 10 years time starting from July 2018.

**17.1.2** This also includes loan of Rs.1,000 million structured as Diminishing Musharakah for the purpose of operational support, project cost overruns and service of deferred payables of Company's clinker plant. The facility carries mark-up of KIBOR plus 1.5% per annum. This loan is payable through semi-annual instalments starting from July 2022. The security includes first pari pasu charge on all fixed and current assets along with other collaterals and personal guarantees of the Company's related party.

**17.2** This includes term loans obtained from commercial banks for a period of 3 to 5 years at the rate ranging between 3 months KIBOR plus 2% to 6 months KIBOR plus 1.5% with quarterly and semi-annual repayments. The loans were disbursed on May 01, 2019, December 10, 2020 and September 15, 2021. The loans are secured by the sponsors of the Company.

**17.3** This includes long-term loan agreements with Bank of Punjab under the Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns by the State Bank of Pakistan. The loans are repayable in eight equal quarterly instalments, starting from March 2021. The loan carries mark-up of 3% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan is secured by way of first pari passu hypothecation charge on the fixed assets of the Company along with additional collaterals.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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- 17.4** This represents loan from 3 foreign multilateral institutions / DFIs under long-term syndicate finance facility of equivalent drawdowns of EUR 11.357 million, USD 11.357 million, USD 15.143 million disbursed by Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) through AHEPL, OPEC Fund for International Development (OFID) and Islamic Corporation Development (ICD) respectively for the expansion project of Line III. The Company has executed cross currency swaps with Habib Bank Limited and Faysal Bank Limited through AHEPL to hedge the Company's foreign currency payment obligation. This facility carries markup ranging between 6 months KIBOR plus 4.15% to 6 months KIBOR plus 5.49% with mark-up / principal repayment falling due on semi-annual basis with commercial Banks for cross currency swap. The facility is secured through first parri passu charge over current and fixed assets of the Company along with additional collaterals. The above hedge of exposures arising due to variability in cash flows owing to interest / currency risks were designated as cash flow hedges by the management of the Company.

|                                     | (Unaudited)<br>December 31,<br>2021 | (Audited)<br>June 30,<br>2021 |
|-------------------------------------|-------------------------------------|-------------------------------|
|                                     | (Rupees '000)                       |                               |
| <b>18. LONG-TERM TRADE PAYABLES</b> |                                     |                               |
| Local currency payables             | 601,176                             | -                             |
| Current maturity                    | (142,500)                           | -                             |
|                                     | <u>458,676</u>                      | -                             |
| Foreign currency payables           | 64,159                              | -                             |
| Current maturity                    | (17,652)                            | -                             |
|                                     | <u>46,507</u>                       | -                             |
|                                     | <u><u>505,183</u></u>               | <u><u>-</u></u>               |

- 18.1** In 2017, the Company had entered into a construction contract with CEEC Tianjin (Pakistan) Electric Power Construction (Private) Limited for the construction of Line III. During the period, the companies entered into an extension of payment contract for settlement of the amount. As per the terms of the contract, the Company is liable to pay a revised amount of Rs. 847.68 million alongwith USD 0.5 million over a period of 5 years. The revised amount has been discounted using a market rate of 12.96% resulting in a gain of Rs. 271.9 million which has been recorded in other income.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|  | Note | (Unaudited)<br>December 31,<br>2021<br>(Rupees '000) | (Audited)<br>June 30,<br>2021 |
|--|------|--|-------------------------------|
| <b>19. SHORT-TERM FINANCING - secured</b>      |      |  |                               |
| <b>Conventional</b>                            |      |  |                               |
| Running finance                                | 19.1 | 350,000  | 250,000                       |
| Short-term borrowing under money market scheme | 19.2 | -  | 299,000                       |
|  |      | <b>350,000</b>                                       | <b>549,000</b>                |
| <b>Islamic</b>                                 |      |  |                               |
| Istisna / Running Musharaka / Murabaha         | 19.3 |  |                               |
| Maturity within three months                   |      | 250,000  | 250,000                       |
| Maturity after six months                      |      | 5,798,851  | 6,180,924                     |
| Islamic Export Refinance Facility (IERF)       | 19.3 | 1,200,000  | 700,000                       |
|  |      | <b>7,248,851</b>                                     | <b>7,130,924</b>              |
|  |      | <b>7,598,851</b>                                     | <b>7,679,924</b>              |

**19.1** This represents short-term running finance facilities from different commercial banks amounting to Rs. 350 million (June 30, 2021: Rs. 250 million). These carry applicable mark up at the rate of 1 months KIBOR plus 1.5% (June 30, 2021: 3 months KIBOR plus 1.5%) per annum calculated on daily product basis. The facility is annually renewable and mark-up on the facility is payable on quarterly basis. The facility is secured by first pari passu charge against current and fixed assets of the Company.

**19.2** This represents borrowing under money market scheme from Samba bank amounting to Rs. Nil (June 30, 2021: Rs. 299 million). These carry applicable mark up at the rate of 3 months KIBOR plus 1% (June 30, 2021: 3 months KIBOR plus 1%) per annum calculated on daily product basis. The facility is annually renewable and mark-up on the facility is payable on quarterly basis. The facility is secured by first pari passu charge against current and fixed assets of the Company.

The aggregate amount of aforementioned facility which has not been availed as at the reporting date amounts to Rs. Nil (June 30, 2021: Rs. Nil).

**19.3** These represent Istisna / Musharaka / Murabaha facilities aggregating to Rs. 7,800 million (June 30, 2021: Rs. 7,150 million) repayable with a maximum tenure of 180 days from the date of disbursement. The IERF facility availed during the period carry mark up at the rate of 3% per annum while other working capital facilities carry applicable profit at the rates ranging from KIBOR plus 0.75% to KIBOR plus 2% (June 30, 2021: KIBOR plus 0.75% to KIBOR plus 2%). These facilities are on yearly renewable basis. As at the reporting date, unavailed amount under these facilities amount to Rs. 322 million (June 30, 2021: Rs. 20.07 million) These are secured by first pari passu charge against current and fixed assets of the Company.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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|  | Note | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|--|------|---|-------------------------------|
| <b>20. LOAN FROM RELATED PARTIES</b>     |      |   |                               |
| Loan from associated company - unsecured | 20.1 | 780,000   | 680,000                       |
| Loan from sponsor - unsecured            | 20.1 | 1,486,000   | -                             |
|  |      | <u>2,266,000</u>  | <u>680,000</u>                |

- 20.1** This represents financing provided by Rotocast Engineering (Private) Limited, an associated Company, and Mr. Arif Habib, a sponsor, under modaraba arrangement. Return at the rate of 1% of gross profit (excluding the depreciation charge for the year) is payable after dividing the gross profit as per the respective capital ratios provided in the modaraba agreement.

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 Contingencies

There is no change in the status of the contingencies as disclosed in note 27.1 to the annual financial statements for the year ended June 30, 2021, except as mentioned below.

- 21.1.1** The Company had filed petitions against the unjust imposition of quarterly tariff adjustments on bills charged by Hyderabad Electric Supply Corporation (HESCO) with the approval of NEPRA. The Court granted interim reliefs refraining the respondents to take any adverse action with the submission of bank guarantee before the Nazir of the Court.

Further, on expiration of the notification covered by the earlier relief, the Company filed another petition on imposition of quarterly tariff adjustments and subsequently obtained an interim relief on September 01, 2021, refraining the respondents to take any adverse action.

The management in consultation with its legal advisor is confident that the outcome of the case would be in favor of the Company hence no provision is made in these financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

**21.1.2** The DCIR passed order vide no. 05/07/2020 dated December 27, 2019 creating demand of Rs.13.05 million along with penalty of Rs. 0.65 million. The Company filed appeal u/s 45B of the Act. The CIR-Appeals vide its order vacated the demand created to the extent of Rs.1.55 million. The Company paid Rs. 4.82 million and filed appeal against the remaining disallowance before ATIR hearing of this is pending till the date of this order.

During the period, the DCIR initiated the remanded back proceedings and concluded exercise by creating a demand of Rs 1.55 million along with the penalty of Rs. 0.078 million. The learned DCIR while passing the aforesaid order failed to consider the reply filed by the Company, recognizing the mistake apparent on records the Company filed application for rectification of mistake u/s 57 of the Act on July 26, 2021, no action by the office of learned DCIR has yet been made on our application till date. Since no reply from the officer received therefore the management has filed appeal against the impugned order before CIR-Appeals on August 25, 2021.

The management in consultation with its legal advisor is confident that the outcome of the case would be in favour of the Company hence no provision is made in these financial statements.

**21.1.3** The Company based on legal grounds of legislative competence, still contributes EOBI calculated at the minimum wage of Rs 8,000/-. No demand has been established against the Company in this regard.

|  | Note   | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Audited)<br>June 30,<br>2021 |
|--|--------|---|-------------------------------|
| <b>21.2 Commitments</b>                        |        |   |                               |
| Commitments against open letter of credit for: |        |   |                               |
| Coal   |        | 796,918   | 1,840,596                     |
| Stores and spares                              |        | 104,454   | 157,248                       |
|  |        | <u>901,372</u>  | <u>1,997,844</u>              |
| Commitments against letter of guarantees       | 21.2.1 | 6,719,069   | 6,702,700                     |
| Ijarah rentals                                 |        | 81,014  | 56,584                        |
|  |        | <u>7,701,455</u>  | <u>8,757,128</u>              |

**21.2.1** This includes Corporate Guarantee of Rs. 6,030 million (as approved by the Company's shareholders vide special resolution passed on June 23, 2018) issued to DEG (a Foreign Currency Long-Term Financier being part of the Company's long-term financing on behalf of the Arif Habib Equity (Private) Limited - a related party, being part of Company's long-term financing as disclosed in Note 17.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|  | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Unaudited)<br>December 31,<br>2020 |
|--|---|-------------------------------------|
| <b>22. REVENUE FROM CONTRACTS WITH CUSTOMERS</b> |   |                                     |
| Local Sales                                      | 10,036,320  | 7,112,200                           |
| Sales tax  | (1,643,342)   | (1,267,780)                         |
| Federal excise duty                              | (1,351,553)   | (1,149,479)                         |
| Commission                                       | (38,884)  | (18,448)                            |
|  | <u>7,002,541</u>  | 4,676,493                           |
| Export Sales                                     | 2,600,774   | 2,298,956                           |
| Freight on export                                | (327,308)   | (140,106)                           |
|  | <u>2,273,466</u>  | 2,158,850                           |
|  | <u>9,276,007</u>  | <u>6,835,343</u>                    |

23. These include Rs. 442.55 million (December 31, 2020: Rs 481.62 million) incurred in respect of export sales.

|                                    | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Unaudited)<br>December 31,<br>2020<br>(Restated) |
|------------------------------------|---|---|
| <b>24. OTHER INCOME</b>            |   |   |
|                                    |   | Note  |
| Gain on disposal of fixed assets   | 10,252  | 1,321   |
| Grant income                       | 7,002   | 7,750   |
| Scrap sales                        | 128   | 110   |
| Gain on modification of liability  | 271,948   | -   |
| Workers' profit participation fund | (1,562)   | -   |
| Exchange (loss) / gain - net       | (21,533)  | 186,831   |
|                                    | <u>266,235</u>  | <u>196,012</u>                                    |

|                     |                |                |
|---------------------|----------------|----------------|
| <b>25. TAXATION</b> |                |                |
| Current             |                |                |
| - for the year      | (108,380)      | -              |
| - prior year        | 1,161          | (1,209)        |
| Deferred            | 326,071        | 305,643        |
|                     | <u>218,852</u> | <u>304,434</u> |

- 25.1 Current year tax charge has been calculated taking into account tax credit available under section 65 E of the Income Tax Ordinance, 2001.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|  | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Unaudited)<br>December 31,<br>2020 |
|--|---|-------------------------------------|
| <b>26. EARNINGS PER SHARE</b>  |   |                                     |
| <b>26.1 BASIC</b>  |   |                                     |
| Profit after taxation attributable to ordinary shareholder                                 | 280,439   | 154,105                             |
| Adjustment for cumulative preference share dividend  | (108,022)   | (63,614)                            |
| Profit after taxation for calculation of basic earnings per share                          | 172,417   | 90,491                              |
| Weighted average number of ordinary shares outstanding at the end of period (in thousands) | 1,077,328   | 1,063,414                           |
| Basic earnings per share (Rupees)  | 0.160   | 0.085                               |

### 26.2 DILUTED

Except for quarter ended December 31, 2021, diluted earnings per share has not been presented as it has anti-dilutive effect on earnings per share.

|   | (Unaudited)<br>December 31,<br>2021<br>(Rupees in '000) | (Unaudited)<br>December 31,<br>2020<br>Restated |
|---|---|---|
| <b>27. CASH GENERATED FROM / (USED IN) OPERATIONS</b> |   |   |
| Profit / (loss) before taxation                       | 61,587  | (150,329)                                       |
| <b>Adjustment for:</b>                                |   |   |
| Depreciation and amortisation                         | 510,519   | 511,115   |
| Finance cost on short-term financing                  | 331,603   | 375,125   |
| Finance cost on long-term financing                   | 942,193   | 894,558   |
| Mark up on lease liability                            | 1,792   | 3,506   |
| Exchange loss / (gain) - net                          | 21,533  | (186,831)                                       |
| Gain on modification of liability                     | (271,948)   | -   |
| Gain on disposal of fixed assets                      | (10,252)  | (1,321)   |
| Grant income  | (7,002)   | (7,750)   |
| Loss allowance on trade receivables                   | (40,321)  | 8,865   |
| Finance income  | (2,832)   | (5,514)   |
| Provision for gratuity                                | 23,412  | 19,823  |
|   | 1,498,697   | 1,611,576                                       |
| Operating profit before working capital changes       | 1,560,284   | 1,461,247                                       |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

|   | Note | December 31,<br>2021 | December 31,<br>2020<br>Restated |
|---|------|----------------------|----------------------------------|
| <b>(Rupees in '000)</b>                                   |      |                      |                                  |
| <b>Effect on cash flow due to working capital changes</b> |      |                      |                                  |
| (Increase) / decrease in current assets                   |      |                      |                                  |
| Stores, spares and loose tools                            |      | 184,893              | 170,620                          |
| Inventories   |      | (613,200)            | (250,174)                        |
| Trade receivables   |      | 23,144               | (188,716)                        |
| Advances and other receivables                            |      | 424,639              | 497,741                          |
| Trade deposits and short-term prepayments                 |      | 18,159               | 2,618                            |
|   |      | <b>37,635</b>        | <b>232,089</b>                   |
| Decrease in current liabilities                           |      |                      |                                  |
| Decrease in trade and other payables                      |      | (1,519,697)          | (1,410,400)                      |
| Increase in advances from customers                       |      | 64,346               | 332,250                          |
|   |      | <b>(1,455,351)</b>   | <b>(1,078,150)</b>               |
|   |      | <b>142,568</b>       | <b>615,186</b>                   |

### 28. CASH AND CASH EQUIVALENTS

|                        |    |                  |                  |
|------------------------|----|------------------|------------------|
| Cash and bank balances | 15 | 177,637          | 647,316          |
| Short-term financing   | 19 | (600,000)        | (750,000)        |
|                        |    | <b>(422,363)</b> | <b>(102,684)</b> |

### 29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Transactions with related parties during the period are as follows:

| Transactions with related parties |   |                                   | (Unaudited)<br>December 31,<br>2021 | (Unaudited)<br>December 31,<br>2020 |
|-----------------------------------|---|-----------------------------------|-------------------------------------|-------------------------------------|
| Name of the related party         | Relationship  | Transactions during<br>the period | ----- (Rupees in '000) -----        |                                     |
| Aisha Steel Mills Limited         | Associated company<br>by virtue of common<br>directorship | - Sale of goods                   | 213                                 | 515                                 |
|                                   |   | - Payment received                | 188                                 | 283                                 |
| Safe Mix Concrete<br>Limited      | Associated company<br>by virtue of common<br>directorship | - Sale of goods                   | 16,141                              | 36,555                              |
|                                   |   | - Payment received                | 89,256                              | 31,906                              |
| Javedan Corporation<br>Limited    | Associated company<br>by virtue of common<br>directorship | - Sale of goods                   | 7,644                               | 5,242                               |
|                                   |   | - Payment received                | 8,941                               | 11,370                              |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

| Transactions with related parties              |   |                                   | (Unaudited)<br>December 31,<br>2021 | (Unaudited)<br>December 31,<br>2020 |
|--|---|-----------------------------------|-------------------------------------|-------------------------------------|
| Name of the related party                      | Relationship  | Transactions during the period    | ----- (Rupees in '000) -----        | -----                               |
| Rotocast Engineering Company (Private) Limited | Associated company by virtue of common directorship | - Services received               | 6,461                               | 5,197                               |
|  |   | - Lease rental                    | 11,318                              | 6,859                               |
|  |   | - Payments made                   | 20,925                              | 13,629                              |
|  |   | - Loan received                   | 100,000                             | -                                   |
|  |   | - Mark-up accrued                 | 2,366                               | -                                   |
| Arif Habib Corporation Limited                 | Associated company by virtue of common directorship | - Loan received                   | -                                   | 232,000                             |
|  |   | - Loan paid                       | -                                   | 232,000                             |
|  |   | - Markup accrued                  | -                                   | 206                                 |
|  |   | - Markup paid                     | -                                   | 206                                 |
|  |   | - Guarantee commission accrued    | 449                                 | 1,210                               |
|  |   | - Guarantee commission paid       | 613                                 | 1,081                               |
| Memon Health & Education Foundation            | Associated company by virtue of common directorship | - Sale of goods                   | 4,308                               | -                                   |
|  |   | - Payment received                | 4,429                               | -                                   |
| Arif Habib Equity (Private) Limited            | Associated company by virtue of common directorship | - Amount received against shares  | -                                   | 730,000                             |
|  |   | - Markup accrued                  | 107,868                             | 118,743                             |
|  |   | - Markup paid                     | 113,155                             | 178,957                             |
|  |   | - Loan repaid                     | 154,445                             | -                                   |
|  |   | - Shares subscribed               | -                                   | 730,000                             |
| Mr. Arif Habib                                 | Substantial shareholder                             | - Loan received                   | 1,486,000                           | 300,000                             |
|  |   | - Loan paid                       | -                                   | 1,439,000                           |
|  |   | - Markup accrued                  | 3,634                               | 18,161                              |
|  |   | - Shares subscribed               | -                                   | 796,959                             |
| EFU Life Assurance Limited                     | Associated company by virtue of common directorship | - Services received               | 5,410                               | 3,001                               |
|  |   | - Payments made                   | 5,017                               | 3,001                               |
| Allied Rental Modaraba                         | Associated company by virtue of common directorship | - Services received               | -                                   | 1,744                               |
|  |   | - Payments made                   | 350                                 | 1,047                               |
| Fatima Packaging Limited                       | Associated company by virtue of common directorship | - Purchase of goods               | 212,581                             | 193,792                             |
|  |   | - Payments made                   | 234,100                             | 182,063                             |
| Fatima Fertilizer Company Limited              | Associated company by virtue of common directorship | - Purchase of goods               | 7,283                               | -                                   |
|  |   | - Payments made                   | 7,258                               | -                                   |
| FLSmith A/S                                    | Related party by virtue of nominee director         | - Payments made                   | 903,663                             | -                                   |
| Key management personnel                       | Key management                                      | - Remuneration and other benefits | 120,496                             | 78,083                              |
|  |   | - Advances disbursed to employees | 9,575                               | 5,252                               |
|  |   | - Advances repaid by employees    | 8,535                               | 4,060                               |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

| <i>Transactions with related parties - Continued</i>  |   |                                  | (Unaudited)<br>December 31,<br>2021  | (Unaudited)<br>December 31,<br>2020 |
|---|---|----------------------------------|--------------------------------------|-------------------------------------|
| Name of the related party                             | Relationship  | Transactions during the period   | ----- (Rupees in '000) -----         |                                     |
| Pakistan Stock Exchange Limited                       | Associated company by virtue of common directorship | - Services received              | 2,514                                | 5,772                               |
|   |   | - Payments made                  | 2,514                                | 5,772                               |
| Pakarab Fertilizer Company Limited                    | Associated company by virtue of common directorship | - Purchase of goods              | 4,332                                | -                                   |
|   |   | - Payments made                  | 2,955                                | -                                   |
| Staff retirement benefit fund                         | Staff benefit plan                                  | - Charge during the period       | 23,412                               | 19,822                              |
|   |   | - Contribution during the period | 31,317                               | 15,365                              |
|   |   |                                  | (Un-audited)<br>December 31,<br>2021 | (Audited)<br>June 30,<br>2021       |
|   |   |                                  | (Rupees in '000)                     |                                     |
| <b>Balances with related parties</b>                  |   |                                  |                                      |                                     |
| <b>Aisha Steel Mills Limited</b>                      |   |                                  |                                      |                                     |
| - Advance from customer                               |   |                                  | (46)                                 | (71)                                |
| <b>Safe Mix Concrete Limited</b>                      |   |                                  |                                      |                                     |
| - Trade receivable                                    |   |                                  | -                                    | 42,826                              |
| - Advance from customer                               |   |                                  | 30,289                               | -                                   |
| <b>Javedan Corporation Limited</b>                    |   |                                  |                                      |                                     |
| - Trade receivable                                    |   |                                  | 7,657                                | 8,915                               |
| - Other receivable                                    |   |                                  | -                                    | 39                                  |
| <b>Memon Health &amp; Education Foundation</b>        |   |                                  |                                      |                                     |
| - Trade payable                                       |   |                                  | (270)                                | -                                   |
| <b>Rotocast Engineering Company (Private) Limited</b> |   |                                  |                                      |                                     |
| - Amount payable against services received            |   |                                  | 783,177                              | 1,114                               |
| <b>Arif Habib Corporation Limited</b>                 |   |                                  |                                      |                                     |
| - Guarantee commission payable                        |   |                                  | 212                                  | 376                                 |
| <b>Arif Habib Equity (Private) Limited</b>            |   |                                  |                                      |                                     |
| - Loan payable (including mark-up)                    |   |                                  | 1,638,987                            | 1,798,719                           |
| <b>Mr. Arif Habib</b>                                 |   |                                  |                                      |                                     |
| - Loan payable  |   |                                  | 1,486,000                            | -                                   |
| - Mark-up payable                                     |   |                                  | 296,356                              | 292,722                             |
| <b>EFU Life Assurance Limited</b>                     |   |                                  |                                      |                                     |
| Trade payables  |   |                                  | 393                                  | -                                   |
| <b>FLSmith A/S</b>                                    |   |                                  |                                      |                                     |
| - Amount payable against goods purchased              |   |                                  | 17,435                               | 921,098                             |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 - UNAUDITED

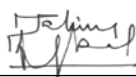
|  | (Un-audited)<br>December 31,<br>2021<br>(Rupees in '000) | Audited<br>June 30,<br>2021 |
|--|--|-----------------------------|
| <i>Balances with related parties - Continued</i> |  |                             |
| <b>Allied Rental Modaraba</b>                    |  |                             |
| - Amount payable against services received       | -  | 697                         |
| <b>Fatima Fertilizer Company Limited</b>         |  |                             |
| - Amount payable against goods purchased         | -  | (25)                        |
| <b>Fatima Packaging Limited</b>                  |  |                             |
| - Amount payable against goods purchased         | 48,444   | 69,964                      |
| <b>Pakarab Fertilizer Company Limited</b>        |  |                             |
| - Amount payable against goods purchased         | 1,378  | -                           |
| <b>Key management personnel</b>                  |  |                             |
| - Advances to employees                          | 44,500   | 43,460                      |
| <b>Staff retirement benefit fund</b>             |  |                             |
| - Payable to gratuity fund                       | 101,060  | 108,965                     |

### 30. CORRESPONDING FIGURE

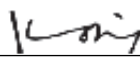
Corresponding figures have been re-arranged, wherever necessary, to align these figures with the financial statements for the year ended June 30, 2021. The impact of these changes is insignificant.

### 31. DATE OF AUTHORISATION FOR ISSUE

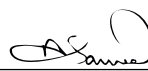
These condensed interim financial statements has been authorized for issue on February 28, 2022 by the Board of Directors.



Chief Financial Officer



Chief Executive Officer










Director



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