

## D.G. Khan Cement Company Limited

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## D.G. Khan Cement Company Limited

### CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha Mian Raza Mansha Mr. Khalid Qadeer Qureshi Mr. Zaka-ud-Din Mr. Muhammad Azam Mr. Inayat Ullah Niazi Ms. Nabiha Shahnawaz Cheema	Chairperson Chief Executive  Chief Financial Officer
Audit Committee	Mr. Khalid Qadeer Qureshi Mr. Muhammad Azam Ms. Nabiha Shahnawaz Cheema	Member/Chairman Member Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited HSBC Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab The Royal Bank of Scotland (Formerly ABN AMRO Bank (Pakistan) Limited) United Bank Limited	
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants	
Legal Advisor	Mr. Shahid Hamid, Bar-at-Law	
Registered Office	Nishat House, 53-A, Lawrence Road, Lahore-Pakistan UAN: 92-42-111-11- 33 - 33 92-42-6367812 Fax: 92-42-6367414 Email: info@dgcement.com web site: www.dgcement.com	
Factory	1. Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan UAN: 92-642-111-11- 33 - 33 92-642-460025 Fax: 92-642-462392 Email: dgbsite@dgcement.com 2. 12, K.M. Choa Saidan Shah Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal-Pakistan UAN: 92-543-111-11- 33 - 33 92-543-650215 Fax: 92-543-650231	

## D.G. Khan Cement Company Limited

### DIRECTORS' REPORT TO THE SHAREHOLDERS

I feel pleasure to present before the shareholders results of the 3<sup>rd</sup> quarter ended March 31<sup>st</sup> 2009.

#### INDUSTRY REVIEW

On going global financial crunch and aggravating economic down turn due to political melt down and unrest in law and order situation in most parts of the country badly hit the development and construction activities across the board. Various economic indicators like, core inflation, lending rates, funds availability, shortage of power and water, rising trade deficit has reduced the purchasing power of the masses. Going forward, reduction of annual development expenditures both by federal as well as provincial governments have badly affected the cement off take in the country during the period under report.

Cement sales in the country during July-March 2009 witnessed a decline of 15%. Similarly the cement sales during the 3<sup>rd</sup> quarter i.e. Jan-March 2009 plunged by 15% as well compared with same period last year. However, exports of cement & clinker from the country during the first nine months increased by 54% compared with the same period last year.

#### PLANT OPERATION AND PRODUCTION

Clinker production during Jan-March 2009 witnessed a decline on account of planned shut down of plants due to rising inventory levels of clinker and cement, which effected the capacity utilization compared with the same period last year.

	January-March		July - March	
	2009	2008	2009	2008
Clinker Production	642,062	834,072	2,773,030	3,015,250
Utilization	64%	83%	92%	100%
Cement Production	1,019,166	1,121,398	2,820,343	3,040,350

#### SALES

Adverse economic conditions both in the country and in regional countries affected the cement demand. Total cement sales during July-March and in the 3<sup>rd</sup> quarter i.e. Jan-Mar 2009 witnessed a decline of 9% and 12% respectively.

	January-March		July - March	
	2009	2008	2009	2008
Cement Sales	1,026,837	1,164,294	2,778,367	3,058,783
Clinker Sales	27,186	65,718	63,474	114,906

#### OPERATING RESULTS

Although sales volume during the period under report declined but stable cement prices in the local markets yielded breathe to the revenues of the company. Sale revenue surged by nearly 58%, which helped mitigating rising production and finance costs.

Rising coal and fuel prices affected the production cost badly, specially during the first half of the current financial year. Coal and fuel prices slashed during the 3<sup>rd</sup> quarter which bodes well for the cement sector and its impact would be evident in the periods to come.

	January-March		July - March	
	2009	2008	2009	2008
Net Sales	4,514,053	3,514,909	13,166,445	8,337,618
Gross Profit	1,139,655	316,526	3,733,220	1,077,462
Net Profit	194,069	157,767	321,117	487,428
EPS	0.77	0.62	1.27	1.92

## D.G. Khan Cement Company Limited

Liquidity crunch in the banking system of the country and tightening monetary policy of the SBP caused the lending rates at high levels and affected the profitability of the company. Going forward the sharp devaluation in Rupee in the first half of the current financial year resulted in exchange losses on cross currency swaps and other foreign currency exposures taken up by the company.

During the first nine months of FY 2009, your company received a dividend income of Rs. 545 million against Rs. 643 million last year same period on investments. Impairment loss on investment of Rs. 154.723 million has been charged to profit & loss account as per the directives issued by SECP vide its SRO No. 150(1)2009 dated February 13, 2009 allowing therein the impairment loss on account of investments held as available for sale to be charged to profit & loss account on quarterly basis till December 31, 2009.

After accounting for depreciation/amortization and provision for taxation (including deferred tax), your company earned a net profit of Rs. 321.117 million (FY 2008 Rs. 487.428 million)

### FUTURE OUTLOOK

After the resolution of judiciary issue, it is expected the political situation would be improved which is better for the overall economic growth of the country. In addition the clouds of recession and economic down turn have started showing improvements. Few economic indicators have shown some improvements which is good for the industrial as well as agricultural sector of the country. The benchmark lending rates have seen some declining trends in recent period which is good for the economic growth.

In recent monetary policy statement announcement for April-June 2009, SBP reduced discount rate by 1.0% and it is expected that SBP would further ease out its monetary tightening stance which will bring down the cost of funds and help improve the profitability of the cement sector. In addition, in the coming budget the Govt. is expected to maintain the level of Public Sector Development Plan to the tune of nearly Rs. 500.0bn which is a positive sign for the cement industry of the country.

Exports of cement and clinker from the country are growing, which is evident for the exports made in the last few months. Cement manufacturers are further exploring new export markets. Exports of cement and clinker will further increase if the Govt. of Pakistan builds adequate bulk handling facilities at different ports for economical and speedy transport of cement.

### ON GOING PROJECTS

World's largest vertical cement grinding mill has started its commercial production at DGK site which will bring substantial savings in energy as well as maintenance cost compared with conventional ball cement grinding.

Work on Waste Heat Recovery Project is underway at full swing. Civil works and fabrication of equipment is in progress. Shipments from the plant supplier are reaching and project will be operative as planned.

## **D.G. Khan Cement Company Limited**

### **ACKNOWLEDGMENT**

The Management of DGKCC strongly admires the spirit and commitment of its employees for their hard work and dedication.

Lahore: April 27, 2009

For and on behalf of the Board

**Mian Raza Mansha**  
(Chief Executive)

## D.G. Khan Cement Company Limited

### CONDENSED INTERIM BALANCE SHEET AS AT

	Note	March 31, 2009	June 30, 2008
		(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
950,000,000 (30 June 2008: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
50,000,000 (30 June 2008: 50,000,000) preference shares of Rs 10 each		<u>500,000</u>	<u>500,000</u>
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital			
253,541,157 (30 June 2008: 253,541,157) ordinary shares of Rs 10 each		2,535,412	2,535,412
Reserves		16,051,113	27,595,698
Accumulated profit / (loss)		<u>270,264</u>	<u>(50,853)</u>
		<u>18,856,789</u>	<u>30,080,257</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	5	5,908,112	8,411,051
Long term deposits		74,409	73,890
Retirement and other benefits		71,463	54,018
Deferred taxation		<u>819,000</u>	<u>1,319,000</u>
		6,872,984	9,857,959
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,567,883	1,370,336
Accrued markup		586,179	364,664
Short term borrowing - secured		8,110,403	7,597,020
Current portion of non-current liabilities		3,497,111	2,687,608
Provision for taxation		<u>35,090</u>	<u>35,090</u>
		13,796,666	12,054,718
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	-	-
		<u>39,526,439</u>	<u>51,992,934</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.3

Chief Executive

## D.G. Khan Cement Company Limited

### MARCH 31, 2009 (UN-AUDITED)

	Note	March 31, 2009 (Rupees in thousand)	June 30, 2008
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	24,422,024	22,977,894
Assets subject to finance lease		-	5,135
Capital work in progress		350,584	2,488,307
Investments	8.1	3,021,821	6,795,961
Long term loans, advances and deposits		165,866	523,046
		27,960,295	32,790,343
 <b>CURRENT ASSETS</b>			
Stores, spares and loose tools		1,810,998	2,299,250
Stock-in-trade		793,504	445,856
Trade debts		520,023	366,173
Investments	8.2	7,157,414	15,082,582
Advances, deposits, prepayments and other receivables		1,107,031	782,358
Cash and bank balances		177,174	226,372
		11,566,144	19,202,591
		39,526,439	51,992,934

Director

## D.G. Khan Cement Company Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

	Note	2009		2008	
		July to March (Rupees in thousand)	January to March (Rupees in thousand)	July to March (Rupees in thousand)	January to March (Rupees in thousand)
Sales - net		13,166,445	4,514,053	8,337,618	3,514,909
Cost of goods sold	9	(9,433,225)	(3,374,398)	(7,260,156)	(3,198,383)
Gross profit		3,733,220	1,139,655	1,077,462	316,526
Administrative and general expenses		(99,759)	(33,889)	(76,392)	(23,687)
Selling and distribution expenses		(1,370,419)	(280,254)	(246,488)	(127,339)
Impairment loss		(154,723)	(154,723)	-	-
Other operating expenses		(712,315)	(53,866)	(200,544)	(119,602)
Other operating income		590,152	157,752	662,682	294,928
		(1,747,064)	(364,980)	139,258	24,300
Profit from operations		1,986,156	774,675	1,216,720	340,826
Finance cost		(2,067,039)	(609,606)	(1,171,437)	(386,220)
Share of loss of associated company		-	-	(2,600)	(1,798)
		(2,067,039)	(609,606)	(1,174,037)	(388,018)
(Loss) / profit before taxation		(80,883)	165,069	42,683	(47,192)
Taxation		402,000	29,000	444,745	204,959
Profit after taxation		321,117	194,069	487,428	157,767
Earnings per share basic and diluted		1.27	0.77	1.92	0.62

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.3

Chief Executive

Director



## D.G. Khan Cement Company Limited

### INTERIM CONDENSED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

	Note	July to March 2009	July to March 2008
		(Rupees in thousand)	
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	3,195,576	1,105,307
Finance cost paid		(1,845,524)	(1,156,863)
Retirement and other benefits paid		(6,374)	(7,762)
Taxes paid		(144,855)	(96,266)
Long term deposits - net		520	(704)
<b>Net cash used in operating activities</b>		<b>1,199,343</b>	<b>(156,288)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(307,884)	(1,768,134)
Purchase of investments		-	(359,400)
Long term loans, advances and deposits-net		357,073	8,601
Sales proceeds of property, plant and equipment		3,275	25,665
Dividend received		545,542	642,842
Interest received		36,591	2,613
<b>Net cash used in investing activities</b>		<b>634,597</b>	<b>(1,447,813)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term finances		-	1,099,748
Repayment of long term finances		(2,394,852)	(1,627,940)
Repayment of liabilities against assets subject to finance lease		(1,141)	(19,931)
Dividend paid		(528)	(378,935)
<b>Net cash (used in)/generated from financing activities</b>		<b>(2,396,521)</b>	<b>(927,058)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(562,581)</b>	<b>(2,531,159)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(7,370,648)</b>	<b>(3,826,799)</b>
<b>Cash and cash equivalents at the end of period</b>	12	<b>(7,933,229)</b>	<b>(6,357,958)</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chief Executive

Director

## D.G. Khan Cement Company Limited

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

	CAPITAL RESERVE			REVENUE RESERVE			Total
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated profit	
	Rupees in thousand						
Balance as at 30 June 2007	2,535,412	2,711,384	22,868,363	353,510	3,696,827	1,757,689	33,923,185
Final dividend for the year ended 30 June 2007 - Rs 1.5 per share	-	-	-	-	-	(380,312)	(380,312)
Transfer from profit and loss account	-	-	-	-	1,375,000	(1,375,000)	-
Net change in available for sale financial asset	-	-	1,574,102	-	-	-	1,574,102
Profit for the period	-	-	-	-	-	329,661	329,661
Balance as at 31 December 2007	2,535,412	2,711,384	24,442,465	353,510	5,071,827	332,038	35,446,636
Net change in available for sale financial asset	-	-	(4,983,488)	-	-	-	(4,983,488)
Loss for the period	-	-	-	-	-	(382,891)	(382,891)
Balance as at 30 June 2008	2,535,412	2,711,384	19,458,977	353,510	5,071,827	(50,853)	30,080,257
Net change in available for sale financial asset	-	-	(11,544,585)	-	-	-	(11,544,585)
Profit for the period	-	-	-	-	-	321,117	321,117
Balance as at 31 March 2009	2,535,412	2,711,384	7,914,392	353,510	5,071,827	270,264	18,856,789

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chief Executive

Director

## D.G. Khan Cement Company Limited

### SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

1. D. G. Khan Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.
2. These condensed interim financial information are un-audited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.
3. The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those for the preceding annual financial statements for the year ended 30 June, 2008.
4. The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Retirements and other benefits
- Provisions and Contingencies
- Fair value of derivatives

	Note	March 31, 2009	June 30, 2008
		(Rupees in thousand)	
<b>5 Long term finances</b>			
These are composed of:			
Long term finances	5.1	9,405,223	11,094,112
Less: Current portion shown under current liabilities		3,497,111	2,683,061
		5,908,112	8,411,051
<b>5.1 Long term finances</b>			
Opening balance		11,094,112	10,705,016
Add: Disbursement during the period/year		-	3,000,000
Foreign currency exchange loss adjustment		705,963	567,179
		11,800,075	14,272,195
Less: Repayment during the period/year		2,394,852	3,178,083
		9,405,223	11,094,112
Less: Current portion shown under current liabilities		3,497,111	2,683,061
		5,908,112	8,411,051

## D.G. Khan Cement Company Limited

### 6 Contingencies and commitments

#### 6.1 Contingencies

There is no material change in contingencies from the preceding annual published financial statements of the Company for the year ended 30 June 2008.

#### 6.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 130.827 million (30 June 2008: Rs 113.987 million)
- (ii) Letter of credit for capital expenditure Rs 1,044.978 million (30 June 2008: Rs 857.570 million)
- (iii) Letter of credit other than capital expenditure Rs 1,455.667 million (30 June 2008: Rs 275.746 million)

March 31,                  June 30,  
2009                          2008  
(Rupees in thousand)

### 7 Property, plant and equipment

Opening book value	22,977,894	22,117,551
Additions (Cost)		
Freehold land	55,359	69,261
Leasehold land	-	63,000
Factory buildings	223,484	107,273
Office Buildings and housing colony	46,418	38,085
Roads	53,199	5,401
Plant and machinery	1,922,191	1,770,166
Quarry equipment	94,932	69,905
Furniture, fixtures and office equipment	12,397	39,077
Vehicles	9,421	27,689
Power and water supply lines	33,250	61,802
	2,450,651	2,251,659
Disposals (at book value)		
Plant and machinery	-	(19,060)
Office equipment	(730)	-
Vehicles	(1,024)	(2,927)
	(1,754)	(21,987)
Written off (at book value)		
Factory buildings	-	(1,473)
Plant and machinery	-	(1,158)
Quarry equipment	-	(187)
Furniture, fixtures and office equipment	-	(6,385)
Vehicles	-	(125)
Power and water supply lines	-	(406)
	-	(9,734)
Depreciation charge for the period/year	(1,004,767)	(1,359,595)
	24,422,024	22,977,894

## D.G. Khan Cement Company Limited

7.1 Assets subject to finance lease at book value amounting to Rs 5.048 million (30 June 2008: Rs 5.135 million) transferred to property, plant and equipment during the period.

	Note	March 31, 2009	June 30, 2008
		(Rupees in thousand)	
<b>8 Investments</b>			
Long term investments	8.1	3,021,821	6,795,961
Short term investments	8.2	7,157,414	15,082,582
<b>8.1 Long term investments</b>			
Investment in subsidiary company	8.1.1	203,629	203,629
Available for sale	8.1.2	<u>2,818,192</u>	<u>6,592,332</u>
		<u>3,021,821</u>	<u>6,795,961</u>
<b>8.1.1 Investment in subsidiary company</b>			
Unquoted			
Nishat Paper Products Company Limited (Formerly Nishat Shuaiba Paper Products Company Limited)			
23,268,398 (30 June 2008: 23,268,398)			
fully paid ordinary shares of Rs 10 each			
Equity held: 50% (30 June 2008: 50%)		<u>203,629</u>	<u>203,629</u>
<b>8.1.2 Available for sale</b>			
Related parties		1,552,937	1,552,937
Others		1,334	1,334
Impairment Loss		<u>(123,434)</u>	-
		1,430,837	1,554,271
Revaluation surplus		<u>1,387,355</u>	<u>5,038,061</u>
		<u>2,818,192</u>	<u>6,592,332</u>
<b>8.2 Short term investments</b>			
Available for sale			
Related parties		661,666	661,666
Impairment Loss		<u>(31,289)</u>	-
Revaluation surplus		<u>6,527,037</u>	<u>14,420,916</u>
		<u>7,157,414</u>	<u>15,082,582</u>

8.3 Impairment loss on investment of Rs 154.723 million has been charged to profit & loss account as per the directives issued by SECP vide its SRO No. 150(1)2009 dated February 13, 2009 allowing therein the impairment loss on account of investment held as available for sale to be charged to profit & loss account on quarterly basis till December 31, 2009 the impairment loss on investment is determined on the basis of quoted market prices as at March 31, 2009. Had the complete impairment loss been recognized through profit & loss account, the figures recognized in interim financial information for the period ended March 31, 2009 would have been different as follows:

	Rs. in thousands
Decrease in profit for the period	527,170
Decrease in deficit of fair value reserve	527,170
	Rupees
Decrease in profit per share	2.08

## D.G. Khan Cement Company Limited

	2009		2008	
	July to March	January to March	July to March	January to March
	(Rupees in thousand)		(Rupees in thousand)	
<b>9 Cost of goods sold</b>				
Raw and packing materials consumed	1,107,829	388,883	988,196	377,224
Salaries, wages and other benefits	466,731	151,435	348,529	112,673
Electricity and gas	985,213	245,822	1,168,375	330,390
Furnace oil/coal	5,258,583	883,491	3,095,685	1,206,567
Stores and spares consumed	667,544	282,236	484,641	234,315
Repair and maintenance	92,712	32,213	59,920	17,408
Insurance	32,166	10,057	32,505	10,544
Depreciation on property, plant and equipment	994,793	338,789	1,002,954	339,574
Depreciation on assets subject to finance lease	80	-	3,103	228
Royalty	54,649	12,745	61,260	17,023
Excise duty	21,100	4,819	18,006	4,009
Vehicle running	13,809	4,096	10,654	3,442
Postage, telephone and telegram	3,177	1,011	3,934	717
Printing and stationery	2,882	1,058	2,420	889
Legal and professional charges	2,420	748	804	136
Estate development	6,703	2,567	7,603	1,906
Rent, rates and taxes	5,045	1,694	5,085	2,094
Freight charges	4,266	1,389	4,602	1,927
Other expenses	18,607	4,804	15,966	5,258
	<u>9,738,309</u>	<u>2,367,857</u>	<u>7,314,242</u>	<u>2,666,324</u>
Opening work-in-process	118,292	1,240,801	142,686	673,971
Closing work-in-process	(230,530)	(230,530)	(214,267)	(214,267)
	<u>(112,238)</u>	<u>1,010,271</u>	<u>(71,581)</u>	<u>459,704</u>
Cost of goods manufactured	9,626,071	3,378,128	7,242,661	3,126,028
Opening stock of finished goods	78,369	262,309	69,728	110,967
Closing stock of finished goods	(263,229)	(263,229)	(34,781)	(34,781)
	<u>(184,860)</u>	<u>(920)</u>	<u>34,947</u>	<u>76,186</u>
Less: Own consumption capitalized	7,986	2,810	17,452	3,831
	<u>9,433,225</u>	<u>3,374,398</u>	<u>7,260,156</u>	<u>3,198,383</u>

## D.G. Khan Cement Company Limited

	July to March 2009	July to March 2008
(Rupees in thousand)		
<b>10 Related Party Transactions</b>		
Subsidiary Company		
Purchase of goods and services	653,755	699,920
Rental income	114	109
Interest income	31,822	-
Other related parties		
Purchase of goo	498,567	663,937
Insurance premium	40,468	43,506
Sale of goods	30,022	12,536
Mark-up income on balance with related parties	3,529	2,540
Insurance claim received	417	2,367
Key Management personnel compensation	50,836	43,695
Expenses charged in respect of staff retirement benefits plans	24,565	20,864
<b>11 Cash flow from operating activities</b>		
(Loss)/ profit before tax	(80,883)	42,683
Adjustment for:		
Depreciation on property, plant and equipment	1,004,767	1,011,919
Depreciation on assets subject to finance lease	89	3,185
Profit on disposal of property, plant and equipment	(1,521)	(4,273)
Dividend income	(545,531)	(642,842)
Impairment Loss	154,723	-
Share of loss of associate	-	2,600
Retirement and other benefits accrued	20,411	10,196
Markup Income	(35,447)	(2,654)
Exchange loss-net	705,963	192,136
Finance cost	2,067,039	1,171,437
Profit before working capital changes	3,289,610	1,784,387
Effect on cash flow due to working capital changes:		
Decrease/(Increase) in stores, spares and loose tools	488,251	(808,773)
Increase in stock-in-trade	(347,647)	(132,928)
Increase in trade debts	(153,851)	(252,444)
Increase in advances, deposits, prepayments and other receivables	(278,867)	(15,470)
Increase in trade and other payables	198,080	530,535
	(94,034)	(679,080)
Cash generated from operations	3,195,576	1,105,307

## D.G. Khan Cement Company Limited

	March 31, 2009	March 31, 2008
	(Rupees in thousand)	
<b>12 Cash and cash equivalents</b>		
Short term borrowing - secured	(8,110,403)	(6,624,777)
Cash and bank balances	177,174	266,819
	<u>(7,933,229)</u>	<u>(6,357,958)</u>

### 13 Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 27, 2009.

### 14 General

Figures have been rounded off to the nearest thousand of Rupees.

Chief Executive

Director



D.G. Khan Cement Company Limited and its Subsidiary

**D.G. Khan Cement Company Limited  
and its Subsidiary**  
Interim Condensed Consolidated  
Financial Statements for the nine months ended  
March 31, 2009

## D.G. Khan Cement Company Limited and its Subsidiary

### Director's Report on Interim Condensed Consolidated Financial Statements

I am pleased to present before you the consolidated financial statements of D.G. Khan Cement Company Ltd. and its subsidiary Nishat Paper Products Company Ltd.

Consolidated financial performance of the both companies is as follows:

	July-March 2009 (Rupees in thousand)
Sale revenue	13,467,917
Gross profit	3,844,724
(Loss) before tax	(167,762)
Profit after tax	249,238

A review on affairs of D.G. Khan Cement Company Ltd has been separately appended.

for and on behalf of the Board

(Mian Raza Mansha)  
Chief Executive

Lahore: April 27, 2009

## D.G. Khan Cement Company Limited and its Subsidiary

### CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (Un-Audited)

	March 31, 2009	June 30, 2008
Note	(Rupees in thousand)	
<b>SHARE CAPITAL AND RESERVES</b>		
<b>Authorised capital</b>		
950,000,000 (June 30, 2008: 950,000,000) ordinary shares of Rs 10 each	9,500,000	9,500,000
50,000,000 (June 30, 2008: 50,000,000) preference shares of Rs 10 each	500,000	500,000
	10,000,000	10,000,000
<b>Issued, subscribed and paid up capital</b>		
253,541,157 (June 30, 2008: 253,541,157) ordinary shares of Rs 10 each	2,535,412	2,535,412
Reserves	16,090,137	27,634,722
Accumulated profit/(loss)	317,576	32,399
	18,943,125	30,202,533
Minority Interest	289,968	325,907
	19,233,093	30,528,440
<b>NON CURRENT LIABILITIES</b>		
Long term finances	6,288,112	8,871,051
Liabilities against assets subject to finance lease	179	393
Long term deposits	74,409	73,890
Retirement and other benefits	71,463	54,018
Deferred taxation	736,000	1,251,000
	7,170,163	10,250,352
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,643,002	1,450,074
Accrued markup	587,587	391,610
Short term borrowing - secured	8,658,336	8,194,330
Current portion of non-current liabilities	3,647,485	2,828,202
Provision for taxation	35,090	35,090
	14,571,500	12,899,306
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	40,974,756	53,678,098

The attached notes 1 to 14 form an integral part of these accounts.

Chief Executive

## D.G. Khan Cement Company Limited and its Subsidiary

March 31, 2009 (UN-AUDITED)

		March 31, 2009	June 30, 2008
	Note	(Rupees in thousand)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	25,637,994	24,224,273
Assets subject to finance lease		1,589	6,839
Capital work in progress		350,584	2,488,307
Investments	8	2,818,192	6,592,332
Long term loans, advances and deposits		166,996	524,176
		28,975,355	33,835,927

### CURRENT ASSETS

Stores, spares and loose tools	1,837,354	2,323,883
Stock-in-trade	1,184,735	1,300,325
Trade debts	649,430	463,446
Investments	7,157,437	15,082,605
Advances, deposits, prepayments and other receivables	973,413	427,832
Cash and bank balances	197,032	244,080
	11,999,401	19,842,171
	40,974,756	53,678,098

Director

## D.G. Khan Cement Company Limited and its Subsidiary

### CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2009

Note	2009		2008	
	July to	January to	July to	January to
	March	March	March	March
	(Rupees in thousand)		(Rupees in thousand)	
Sales - net	13,467,917	4,616,853	8,337,618	3,514,909
Cost of goods sold	9 (9,623,193)	(3,434,763)	(7,260,156)	(3,198,383)
Gross profit	<u>3,844,724</u>	<u>1,182,090</u>	<u>1,077,462</u>	<u>316,526</u>
Administrative and general expenses	(102,498)	(34,712)	(76,392)	(23,687)
Selling and distribution expenses	(1,376,936)	(282,645)	(246,488)	(127,339)
Impairment Loss	(154,723)	(154,723)	-	-
Other operating expenses	(740,050)	(53,871)	(200,544)	(119,602)
Other operating income	560,795	152,688	662,682	294,928
	<u>(1,813,412)</u>	<u>(373,263)</u>	<u>139,258</u>	<u>24,300</u>
Profit from operations	<u>2,031,312</u>	<u>808,827</u>	<u>1,216,720</u>	<u>340,826</u>
Finance cost	(2,199,074)	(659,296)	(1,171,437)	(386,220)
Share of loss of associated companies	-	-	(2,600)	(1,798)
	<u>(2,199,074)</u>	<u>(659,296)</u>	<u>(1,174,037)</u>	<u>(388,018)</u>
(Loss)/Profit before taxation	<u>(167,762)</u>	<u>149,531</u>	<u>42,683</u>	<u>(47,192)</u>
Taxation	417,000	29,000	444,745	204,959
Profit for the period	<u>249,238</u>	<u>178,531</u>	<u>487,428</u>	<u>157,767</u>
Attributable to:				
Equity holders of the parent	285,177	193,074	487,428	157,767
Minority interest	(35,939)	(14,543)	-	-
	<u>249,238</u>	<u>178,531</u>	<u>487,428</u>	<u>157,767</u>
Earnings per share basic and diluted	<u>1.52</u>	<u>1.15</u>	<u>1.92</u>	<u>0.62</u>

Appropriations have been reflected in the statement of changes in equity.

The attached notes 1 to 14 form an integral part of these accounts.

Chief Executive

Director

## D.G. Khan Cement Company Limited and its Subsidiary

### CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

	Note	July to March 2009	July to March 2008
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	11	3,552,704	1,105,307
Finance cost paid		(2,030,832)	(1,156,863)
Retirement and other benefits paid		(6,374)	(7,762)
Taxes paid		(160,630)	(96,266)
Net increase in long term deposits		520	(704)
<b>Net cash (used in)/generated from operating activities</b>		<b>1,355,388</b>	<b>(156,288)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(310,144)	(1,768,134)
Purchase of investments		-	(359,400)
Long term loans, advances and deposits-net		357,072	8,601
Sales proceeds of property, plant and equipment		3,275	25,665
Dividend received		545,542	642,842
Interest received		4,769	2,613
<b>Net cash used in investing activities</b>		<b>600,514</b>	<b>(1,447,813)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term finances		-	1,099,748
Repayment of long term finances		(2,464,852)	(1,627,940)
Repayment of liabilities against assets subject to finance lease		(1,576)	(19,931)
Dividend paid		(528)	(378,935)
<b>Net cash generated from financing activities</b>		<b>(2,466,956)</b>	<b>(927,058)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(511,054)</b>	<b>(2,531,159)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(7,950,250)</b>	<b>(3,826,799)</b>
<b>Cash and cash equivalents at the end of period</b>	12	<b>(8,461,304)</b>	<b>(6,357,958)</b>

The attached notes 1 to 14 form an integral part of these accounts.

Chief Executive

Director

## D.G. Khan Cement Company Limited and its Subsidiary

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

	CAPITAL RESERVE				REVENUE RESERVE			Minority interest
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated profit/(Loss)	Total	
	Rupees in thousand							
Balance as at 30 June 2007	2,535,412	2,711,384	22,868,363	353,510	3,696,827	1,757,689	33,923,185	-
Final dividend for the year ended 30 June 2007 - Rs 1.5 per share	-	-	-	-	-	(380,312)	(380,312)	-
Transfer from profit and loss account	-	-	-	-	1,375,000	(1,375,000)	-	-
Fair value gain during the period	-	-	1,574,102	-	-	-	1,574,102	-
Profit for the period	-	-	-	-	-	329,661	329,661	-
Balance as at 31 December 2007	2,535,412	2,711,384	24,442,465	353,510	5,071,827	332,038	35,446,636	-
Post acquisition Reserve	-	-	-	-	39,024	-	39,024	-
Fair value gain during the period	-	-	(4,983,488)	-	-	-	(4,983,488)	-
Minority Interest arising on business combination	-	-	-	-	-	-	-	330,244
Loss for the period	-	-	-	-	-	(299,639)	(299,639)	(4,337)
Balance as at 30 June 2008	2,535,412	2,711,384	19,458,977	353,510	5,110,851	32,399	30,202,533	325,907
Fair value loss during the period	-	-	(11,544,585)	-	-	-	(11,544,585)	-
Profit for the period	-	-	-	-	-	285,177	285,177	(35,939)
Balance as at 31 March 2009	2,535,412	2,711,384	7,914,392	353,510	5,110,851	317,576	18,943,125	289,968

The attached notes 1 to 14 form an integral part of these accounts.

Chief Executive

Director

## D.G. Khan Cement Company Limited and its Subsidiary

### SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

The Group comprises of:

- D.G.Khan Cement Company Limited ("the Parent Company") and;
- Nishat Paper Products Company Limited ("the Subsidiary Company") (formerly Nishat Shauiba Paper Products Company Limited)

D.G.Khan Cement Company Limited ("the Parent Company") is a public limited company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.

Nishat Paper Products Company Limited (formerly Nishat Shauiba Paper Products Company Limited) ("the Subsidiary Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on 23 July, 2004. It is principally engaged in the manufacture and sale of paper products and packing material.

#### 2. BASIS OF PREPARATION

##### 2.1 Statement of Compliance

These consolidated financial statement have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984 differ, the provision or directives of the Companies Ordinance, 1984 shall prevail.

##### 2.2 Basis of Consolidation

The consolidated financial statements include the financial statement of D.G.Khan Cement Company Limited and its subsidiary Nishat Paper Products Company Limited with 50% holding (2007:Nil) ("The Group Companies").

Subsidiary is that enterprise in which Group directly or indirectly beneficially owns or holds more than 50% of voting securities or otherwise has power to elect and appoint more than 50% of its Directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date control ceases.

The assets and liabilities of the subsidiary company have been consolidated on a line by line basis and carrying value of investments held by the parent Group is eliminated against the subsidiary equity in the consolidated financial statements. The control of Group was established during the year, and the comparative amounts for the corresponding year relates to the operation of D.G.Khan Cement Company Limited only. Material intra-group balances and transactions have been eliminated.

Minority interests are that part of the net reserves of the operation and of net assets of the subsidiary attributable to interests which are not owned by the Group. Minority interests is presented as separate item in the consolidated financial statements.

3. These interim condensed financial information is unaudited and is being submitted to share holders as required by Section 245 of the Companies Ordinance, 1984. This interim financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and (IAS) 27 "Consolidated and separate financial statements" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP).



## D.G. Khan Cement Company Limited and its Subsidiary

The accounting policies adopted for the preparation of these quarterly accounts are the same as those applied in the preparation of preceding annual published accounts of the company for the year ended June 30, 2008.

4. These financial statements were authorized for issue on by the Board of the Company.

		March 31, 2009	June 30, 2008
		(Rupees in thousand)	
<b>5. Long term finances</b>			
These are composed of:			
Long term finances	5.1	9,935,223	11,694,112
Less: Current portion shown under current liabilities		<u>3,647,111</u>	<u>2,823,061</u>
		<u>6,288,112</u>	<u>8,871,051</u>
<b>5.1 Long term finances</b>			
Opening balance		11,694,112	10,705,016
Add: Disbursement during the period/year		-	3,600,000
Exchange Adjustment		<u>705,963</u>	<u>567,179</u>
		<u>12,400,075</u>	<u>14,872,195</u>
Less: Repayment during the period/year		<u>2,464,852</u>	<u>3,178,083</u>
		<u>9,935,223</u>	<u>11,694,112</u>

### 6. Contingencies and commitments

#### 6.1 Contingencies

There is no material change in contingencies from the preceding annual published financial statements of the Company for the year ended June 30, 2008.

#### 6.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 130.827 million (June 30,2008: Rs 113.987 million)
- (ii) Letter of credit for capital expenditure Rs 1,044.978 million (June 30,2008: Rs 857.570 million)
- (iii) Letter of credit other than capital expenditure Rs 1,479.214 million (June 30,2008: Rs 374.078 million)

### 7. Property, plant and equipment

Opening book value		24,224,273	22,117,551
Add: Addition during the period	7.1	<u>2,452,911</u>	<u>3,514,807</u>
		<u>26,677,184</u>	<u>25,632,358</u>
Less: Disposal during the period(at book value)		1,754	30,861
Written off(book value)		-	9,734
Depreciation charged during the period		<u>1,037,436</u>	<u>1,367,490</u>
		<u>1,039,190</u>	<u>1,408,085</u>
		<u>25,637,994</u>	<u>24,224,273</u>

## D.G. Khan Cement Company Limited and its Subsidiary

	Note	March 31, 2009	June 30, 2008
		(Rupees in thousand)	
<b>7.1 Additions (Cost)</b>			
Freehold land		55,359	81,261
Leasehold land		-	63,000
Factory buildings		223,484	357,798
Office buildings and housing colony		46,418	49,167
Roads		53,199	14,579
Plant and machinery		1,924,433	2,734,774
Quarry equipment		94,932	69,905
Furniture, fixtures and office equipment		12,397	42,928
Vehicles		9,421	28,275
Power and water supply lines		33,268	73,120
		<u>2,452,911</u>	<u>3,514,807</u>
<b>8. Investments</b>			
Cost		2,215,960	2,215,960
Impairment Loss		(154,723)	-
Fair value surplus		<u>7,914,392</u>	<u>19,458,977</u>
		9,975,629	21,674,937
Less: Investment classified in current assets		<u>7,157,437</u>	<u>15,082,605</u>
		<u>2,818,192</u>	<u>6,592,332</u>

## D.G. Khan Cement Company Limited and its Subsidiary

	2009		2008	
	July to March	January to March	July to March	January to March
	(Rupees in thousand)		(Rupees in thousand)	
<b>9. Cost of goods sold</b>				
Raw and packing materials consumed	1,220,695	435,261	988,196	377,224
Salaries, wages and other benefits	475,194	154,296	348,529	112,673
Electricity and gas	994,923	247,120	1,168,375	330,390
Furnace oil/coal	5,258,583	883,491	3,095,685	1,206,567
Stores and spares consumed	675,341	284,784	484,641	234,315
Repair and maintenance	92,785	32,235	59,920	17,408
Insurance	35,841	11,187	32,505	10,544
Depreciation on property, plant and equipment	1,027,050	349,544	1,002,954	339,574
Depreciation on assets subject to finance lease	133	18	3,103	228
Royalty	54,649	12,745	61,260	17,023
Excise duty	21,100	4,819	18,006	4,009
Vehicle running	14,231	4,251	10,654	3,442
Postage, telephone and telegram	3,194	1,017	3,934	717
Printing and stationery	2,910	1,071	2,420	889
Legal and professional charges	2,520	748	804	136
Estate development	6,703	2,567	7,603	1,906
Rent, rates and taxes	5,065	1,694	5,085	2,094
Freight charges	4,311	1,413	4,602	1,927
Other expenses	19,168	5,188	15,966	5,258
	9,914,396	2,433,449	7,314,242	2,666,324
Opening work-in-process	118,292	1,240,801	142,686	673,971
Closing work-in-process	(230,530)	(230,530)	(214,267)	(214,267)
	(112,238)	1,010,271	(71,581)	459,704
<b>Cost of goods manufactured</b>	9,802,158	3,443,720	7,242,661	3,126,028
Opening stock of finished goods	118,864	283,696	69,728	110,967
Closing stock of finished goods	(289,843)	(289,843)	(34,781)	(34,781)
	(170,979)	(6,147)	34,947	76,186
Less: Own consumption capitalised	7,986	2,810	17,452	3,831
	9,623,193	3,434,763	7,260,156	3,198,383

## D.G. Khan Cement Company Limited and its Subsidiary

	July to March, 2009	July to March, 2008
Note	(Rupees in thousand)	
<b>10. Related party transactions</b>		
Purchase of goods and services	498,567	663,937
Insurance premium	40,468	43,506
Sale of goods	30,022	12,536
Make-up income on balances with related parties	3,529	2,540
Insurance claim received	417	2,367
Key Management personnel compensation	50,836	43,695
Expenses charged in respect of staff retirement benefits plans	24,565	20,864
<b>11. Cash flow from operating activities</b>		
(Loss)/profit before tax	(167,762)	42,683
Adjustment for:		
Depreciation on property, plant and equipment	1,035,861	1,011,919
Depreciation on assets subject to finance lease	1,778	3,185
Profit on disposal of property, plant and equipment	(1,521)	(4,273)
Dividend income	(545,531)	(642,842)
Impairment Loss	154,723	-
Share of loss of associates	-	2,600
Retirement and other benefits accrued	20,411	10,196
Markup Income	(3,625)	(2,654)
Exchange loss-net	705,963	192,136
Finance cost	2,226,809	1,171,437
Profit before working capital changes	3,427,106	1,784,387
Effect on cash flow due to working capital changes:		
(Increase)/decrease in stores, spares and loose tools	486,529	(808,773)
(Increase)/decrease in stock-in-trade	115,590	(132,928)
(Increase)/decrease in trade debts	(185,984)	(252,444)
Increase in advances, deposits, prepayments and other receivables	(483,992)	(15,470)
(Decrease)/increase in trade and other payables	193,455	530,535
Cash generated from operations	3,552,704	1,105,307
<b>12. Cash and cash equivalents</b>		
Short term borrowing - secured	(8,658,336)	(6,624,777)
Cash and bank balances	197,032	266,819
	(8,461,304)	(6,357,958)

### 13. Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 27, 2009

### 14. Corresponding figures

Corresponding figures have been rearranged, wherever necessary for the purposes of comparison. However, no significant rearrangements have been made.

Chief Executive

Director