

## D.G. Khan Cement Company Limited

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## D.G. Khan Cement Company Limited

### CORPORATE PROFILE

<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Khalid Qadeer Qureshi Mr. Muhammad Azam Ms. Nabiha Shahnawaz Cheema	Member/Chairman Member Member
<b>Company Secretary</b>	Mr. Khalid Mahmood Chohan	
<b>Bankers</b>	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Barclays Bank 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 Silk Bank Limited (Formerly Saudi Pak Commercial Bank Limited) The Bank of Punjab The Royal Bank of Scotland (Formerly ABN AMRO Bank (Pakistan) Limited) United Bank Limited	
<b>External Auditors</b>	KPMG Taseer Hadi & Co, Chartered Accountants	
<b>Cost Auditors</b>	Avais Hyder Liaquat Nauman, Chartered Accountants	
<b>Legal Advisors</b>	Mr. Shahid Hamid, Bar-at-Law	
<b>Registered Office</b>	Nishat House, 53-A, Lawrence Road, Lahore-Pakistan Phone: 92-42-36367812-20 UAN: 111 11 33 33 Fax: 92-42-36367414 Email: info@dgcement.com web site: www.dgcement.com	
<b>Factory</b>	1. Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan Phone: 92-641-460025-7 UAN: 92 642 111 11 33 33 Fax: 92-641-462392 Email: dgsite@dgcement.com 2. 12, K.M. Choa Saidan Shah Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal-Pakistan Phone: 92-543-650215-8 UAN: 92 543 111 11 33 33 Fax: 92-543-650231	

## D.G. Khan Cement Company Limited

### DIRECTORS' REPORT

I am pleased to present the un-audited accounts for the 1st quarter ended 30th September 2009.

#### INDUSTRY REVIEW

Deteriorating and fading law and order situation and recent wave of terrorist activities smacked the investment and business climate in the country that hindered the economic growth, development projects and large scale manufacturing. Although some signs of improvement were witnessed at the start of FY 2010 and cement demands in local market picked up and there was a slight growth in cement off take during the first three months of current financial year compared with last year same period. But current situation in the country and on set of winter season would hit the cement demand in the months to come.

During the first quarter i.e. Jul-Sep 2009, the cement prices in the country declined sharply on the wake of stiff competition that created a price war like situation. This nose down decline in prices of cement in local market badly affected the profitability of the industry.

Export of cement is moving ahead. During the first quarter of FY 2010 a growth was witnessed in cement exports. Cement industry of the country is eyeing on the untapped export markets and in search of new potential global export avenues.

#### PLANT OPERATION

Detailed production data is as follows:

In first quarter i.e. Jul-Sep 2009 the three kilns operated well and total clinker production was 115% of the installed capacity, which was only possible due to excellent preventive maintenance placed and regular modernization of production equipments. Likewise, the cement production during the first three months of FY 2010 surpassed the cement production, on the wake of increased cement demand both in local and export markets, compared with same period last year

	Clinker Production		Cement Production	
	July-September		July-September	
	2009	2008	2009	2008
	M.Tons		M.Tons	
DGK-Unit-1	251,895	206,732	227,986	208,569
DGK-Unit-2	328,565	227,714	305,268	276,753
KHP	572,291	548,784	650,870	450,430
<b>Total</b>	<b>1,152,751</b>	<b>983,230</b>	<b>1,184,124</b>	<b>935,752</b>
<b>Utilization</b>	<b>115%</b>	<b>98%</b>	<b>112%</b>	<b>88%</b>

#### SALES

Cement sales during the period under report augmented by 28% compared with same period last year. In addition, your company also managed to export sizeable amount of clinker during the period.

	Despatches	
	July-September	
	2009	2008
	M. Tons	
Cement	1,173,523	917,919
Clinker	71,041	16,938

#### OPERATING RESULTS

	2009-10	2008-09
	(Quarter July-September)	
	(Rupees in million)	
-Net Sales	4,592.103	4,337.432
-Cost of Goods Sold	3,275.062	3,037.322
-Gross Profit	1,317.041	1,300.110
-Profit/(loss) before tax	489.808	(346.651)
-Profit/(loss) after tax	584.619	(168.651)
-Basic Earning/(loss) per share (Rs.)	1.92	(0.67)

## D.G. Khan Cement Company Limited

Sale revenue during first three months of FY 2010 increased by about 6% compared with last year mainly on account of volumetric growth in cement and clinker sales. The rate of cement bag in the country declined sharply during the period under report and average net sale price plunged by nearly 23% compared with same period of last year. Your company always finds ways to bring down the cost of production and have used Rice husk and pet coke as an alternative to traditional expensive imported coal during the period under report, which contributed to bring down the cost of fuel. Your company received a dividend of Rs.159 million against Rs. 173 million last year on its investments. After accounting for depreciation of Rs. 345.301 million and provision for taxation of Rs. (94.811) million, your company has earned a net profit of Rs. 584.619 million (2008: Net loss Rs. 168.651 million).

### ON GOING PROJECTS:

Work on Waste Heat Recovery project is underway. Civil work and fabrication is at full swing. Shipments of plant & machinery have already started reaching at plant site. The project is expected to complete as per schedule.

Cement manufacturing is highly energy extensive. Therefore, focusing on non conventional fuels as alternative or substitute fuels to conserve energy is simply mandatory requirement of the day. Your management has decided to use Municipal Solid Waste as Refused Drive Fuel (RDF) as an alternative to Coal. This will not only reduce the rising cost of production but also provide an opportunity to dispose of permanently the waste material in a controlled environment friendly sustainable fashion. In this regard your management has signed an agreement with a German company for the supply of modular design machinery and equipment for RDF project.

### FUTURE OUTLOOK

Current situation posed serious doubts for stable and sustained developmental and infrastructural projects in the country. Safe and secure environment is of pivotal importance for new investments. Entrepreneurs both local and foreigners pay high importance to conducive and safe working place. On going war like situation in Northern parts of our country and severe security concerns in other areas of the country is hampering the overall economic activities. In addition liquidity crisis, increasing electricity tariff, power shedding and still higher cost of financing are serious impediments to economic growth in the country. Going forward, spending by Govt. under annual PSDP is reportedly much less than budgeted for the first quarter of FY 2010. All these factors will affect the cement demand in the periods to come.

In export markets, specially, in Gulf region the competition is getting stiff after capacity additions by a few Gulf States. Recently Saudi Arabia has also allowed cement exports which is a set back for Pakistani cement manufacturers. Nevertheless, cement exports from the country are expected to achieve a decent growth in the current financial year as well.

### ACKNOWLEDGMENT

The Directors place on record their appreciation for the efforts and hard work put in by both the officers and staff/workers for smooth running of company affairs.

for and on behalf of the Board

(Mian Raza Mansha)  
Chief Executive

Lahore: October 28, 2009

**D.G. Khan Cement Company Limited**  
**CONDENSED INTERIM BALANCE SHEET AS AT**

	Note	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
- 950,000,000 (June 30,2009: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30,2009: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital		3,042,494	3,042,494
Reserves		22,619,915	17,401,220
Accumulated profit		1,059,347	474,728
		<u>26,721,756</u>	<u>20,918,442</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	5	4,379,129	4,375,837
Long term deposits		74,374	73,765
Retirement and other benefits		88,462	78,622
Deferred taxation		1,319,576	1,441,576
		<u>5,861,541</u>	<u>5,969,800</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,912,198	1,435,420
Accrued markup		434,164	531,772
Short term borrowing-secured		9,423,629	9,068,575
Current portion of non-current liabilities		3,886,100	4,763,942
Provision for taxation		35,090	35,090
		<u>15,691,181</u>	<u>15,834,799</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6		
		<u>48,274,478</u>	<u>42,723,041</u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

## D.G. Khan Cement Company Limited

### SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	24,008,756	24,345,793
Capital work in progress		1,915,833	1,750,208
Investments	8	4,933,114	3,172,508
Long term loans, advances and deposits		167,715	166,940
		31,025,418	29,435,449
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		3,092,561	2,935,880
Stock-in-trade		665,273	899,836
Trade debts		688,516	513,966
Investments	8	11,244,057	7,785,968
Advances, deposits, prepayments and other receivables		1,412,256	908,100
Cash and bank balances		146,397	243,842
		17,249,060	13,287,592
		48,274,478	42,723,041

Director

## D.G. Khan Cement Company Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	September 30, 2009	September 30, 2008
		(Rupees in thousand)	
Sales		4,592,103	4,337,432
Cost of sales	9	(3,275,062)	(3,037,322)
<b>Gross profit</b>		<b>1,317,041</b>	<b>1,300,110</b>
Administrative expenses		(35,759)	(31,467)
Selling and distribution expenses		(397,058)	(428,179)
Other operating expenses		(93,624)	(620,566)
Other income		167,388	192,584
<b>Profit from operations</b>		<b>957,988</b>	<b>412,482</b>
Finance cost		(468,180)	(759,133)
<b>Profit /(loss) before taxation</b>		<b>489,808</b>	<b>(346,651)</b>
Taxation		94,811	178,000
<b>Profit /(loss) after taxation</b>		<b>584,619</b>	<b>(168,651)</b>
<b>Earnings /(loss) per share-basic and diluted</b>		<b>1.92</b>	<b>(0.67)</b>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

## D.G. Khan Cement Company Limited

### CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	September 30, 2009	September 30, 2008
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	1,086,672	744,902
Finance cost paid		(565,788)	(639,107)
Retirement and other benefits paid.		(4,933)	(7,370)
Taxes paid		(27,189)	(52,335)
Net increase /(decrease) in long term deposits		609	831
		489,371	46,921
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(176,963)	(250,172)
Sales proceeds of property, plant and equipment		4,502	844
Long term loans and deposits		(775)	(2,806)
Dividend received		158,770	173,210
		(14,466)	(78,924)
<b>Cash flows from financing activities</b>			
Repayment of long term loans		(927,404)	(799,228)
Repayment of liabilities against assets subject to finance lease		-	(1,141)
Dividend paid		-	(148)
		(927,404)	(800,517)
Net increase/(decrease) in cash and cash equivalents		(452,499)	(832,520)
Cash and cash equivalents at the beginning of year		(8,824,733)	(7,370,648)
Cash and cash equivalents at the end of the period	12	(9,277,232)	(8,203,168)

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



## D.G. Khan Cement Company Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

September 30, September 30,  
2009 2008  
(Rupees in thousand)

Profit/(loss) after taxation	584,619	(168,651)
Other comprehensive income		
Available for sale financial assets		
- Change in fair value	5,218,695	(3,409,386)
- Realized gain through profit and loss account	-	-
- Tax expense	-	-
Other comprehensive income/ (loss) for the period	5,218,695	(3,409,386)
Total comprehensive income/ (loss) for the period	<u>5,803,314</u>	<u>(3,578,037)</u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

## D.G. Khan Cement Company Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	CAPITAL RESERVE				REVENUE RESERVE		
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated (Loss)/ Profit	Total
	Rupees in thousand						
Balance as at June 30, 2008 - Audited	2,535,412	2,711,384	19,458,977	353,510	5,071,827	(50,853)	30,080,257
Capital transactions with owner							
- Right issue	507,082	507,082	-	-	-	-	1,014,164
Total comprehensive income for the year	-	-	(10,701,560)	-	-	525,581	(10,175,979)
Balance as at June 30, 2009 - Audited	3,042,494	3,218,466	8,757,417	353,510	5,071,827	474,728	20,918,442
Total comprehensive income for the period	-	-	5,218,695	-	-	584,619	5,803,314
Balance as at September 30, 2009 - Unaudited	3,042,494	3,218,466	13,976,112	353,510	5,071,827	1,059,347	26,721,756

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

## D.G. Khan Cement Company Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

#### 1. Legal status and nature of business

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 Clinker, Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.

#### 2. Basis of preparation

This condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with the provisions contained in section 245 of the Companies Ordinance, 1984 and the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2009.

#### 3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2009.

3.2 The following amendments to the International Accounting Standards have become applicable for the first time being mandatory for the financial year beginning on or after January 1, 2009.

International Accounting Standard 1 (revised), 'Presentation of financial statements'

The revised accounting standard prohibits the presentation of certain items of income and expenses (non-owner changes in equity) in the statement of changes in equity that were earlier required by other International Financial Reporting Standards (IFRS) to be accounted for in the statement of changes in equity and thus requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in the performance statement. Companies can choose whether to present one performance statement (Statement of Comprehensive Income) or two statements (Profit and Loss Account and Statement of Comprehensive Income).

The company, however, has preferred to present two statements i.e., a Profit and Loss Account and a Statement of Comprehensive Income. This interim financial information has been prepared on the basis of revised disclosure requirements.

IFRS 7 'Financial Instruments: Disclosures'

IFRS 7 is effective from January 1, 2009 and it requires disclosures about the significance of financial instruments for the company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks, however, it will not have any impact on the classification and valuation of the company's financial

## D.G. Khan Cement Company Limited

instruments. The company will consider the requirements of IFRS 7 in the annual financial statements.

Other amendments relating to other accounting standards

In addition to above, following new accounting standards and amendments to the accounting standards are mandatory for the first time for the financial year beginning on or after January 1, 2009 and are also relevant to the company. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the company.

- IFRS 3 (amendment) - Business Combinations
- IAS 23 (revised) - Borrowing costs
- IAS 27 (revised) - Consolidated and separate financial statements
- IAS 28 (revised) - Investment in associates
- IAS 36 (revised) - Impairment of assets
- IAS 39 (revised) - Financial Instruments: Recognition and measurement

4. The provision for taxation for the quarter ended September 30, 2009 has been made on an estimated basis.

		September 30, 2009 Unaudited	June 30, 2009 Audited
	Note	(Rupees in thousand)	
<b>5. Long term finances</b>			
These are composed of:			
- Long term loans	5.1	6,265,229	7,135,311
- Loan under musharika arrangement		2,000,000	2,000,000
		8,265,229	9,135,311
Less: Current portion shown under current liabilities		3,886,100	4,759,474
		4,379,129	4,375,837
<b>5.1 Long term loans</b>			
Opening balance		9,135,311	11,094,112
Add: Disbursements during the period		-	300,000
Exchange loss during the period		57,322	730,889
		9,192,633	12,125,001
Less: Repayment during the period		927,404	2,989,690
Closing balance		8,265,229	9,135,311

## D.G. Khan Cement Company Limited

### 6. Contingencies and commitments

#### 6.1 Contingencies

There is no significant change in contingencies from the preceding annual published financial statements of the company for the year ended June 30, 2009.

#### 6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 131.778 million (June 30, 2009: Rs 196.252 million).
- (ii) Letters of credit for capital expenditure Rs NIL million (June 30, 2009: Rs 0.068 million).
- (iii) Letters of credit other than capital expenditure Rs 768.728 million (June 30, 2009: Rs 986.898 million).

	Note	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>7. Property, Plant and Equipment</b>			
Opening book value		24,345,793	22,977,894
Add: Additions during the period	7.1	11,338	2,733,729
Transfer in		-	5,046
		11,338	2,738,775
Less: Disposals during the period - net book value		3,074	2,011
Depreciation charged during the period		345,301	1,368,865
		348,375	1,370,876
Closing book value		24,008,756	24,345,793

#### 7.1 Major additions during the period

Free hold land	-	64,893
Building on freehold land	-	292,731
Roads	-	56,058
Plant and machinery	10,234	2,081,601
Quarry equipment	-	174,380
Furniture, fixtures and office equipment	792	23,285
Motor vehicles	-	4,886
Power and water supply lines	311	35,895
	11,338	2,733,729

## D.G. Khan Cement Company Limited

	September 30, 2009 Unaudited	June 30, 2009 Audited
(Rupees in thousand)		
<b>8. Investments</b>		
Cost of investments	2,201,059	2,201,059
Add: Fair value adjustments	13,976,112	8,757,417
	16,177,171	10,958,476
Less: Investments classified in current assets	11,244,057	7,785,968
	4,933,114	3,172,508
	September 30, 2009	September 30, 2008
(Rupees in thousand)		
<b>9. Cost of sales</b>		
Raw and packing materials consumed	454,777	347,383
Salaries, wages and other benefits	157,519	165,323
Electricity, Gas and Water	434,953	368,399
Furnace oil/coal	1,343,196	1,822,745
Stores and spares consumed	210,712	197,900
Repair and maintenance	39,600	32,287
Insurance	10,107	10,079
Depreciation on property, plant and equipment	342,100	328,360
Depreciation on assets subject to finance lease	-	80
Royalty	45,078	19,693
Excise duty	10,144	7,193
Vehicle running	4,450	4,722
Postage, telephone and telegram	1,119	1,092
Printing and stationery	964	1,582
Legal and professional charges	741	1,308
Traveling and conveyance	1,972	1,503
Estate development	1,544	2,088
Rent, rates and taxes	2,358	1,581
Freight charges	342	1,305
Other expenses	2,870	5,249
	3,064,546	3,319,872
<b>Work in progress</b>		
Opening work-in-process	387,444	118,292
Closing work-in-process	(254,470)	(320,514)
	132,974	(202,222)
Cost of goods manufactured	3,197,520	3,117,650
<b>Finished goods</b>		
Opening stock of finished goods	249,916	78,369
Closing stock of finished goods	(170,568)	(158,162)
	79,348	(79,793)
Less: Own consumption capitalised	1,806	535
	3,275,062	3,037,322

## D.G. Khan Cement Company Limited

### 10. Transactions with related parties

The related parties comprise subsidiary company, associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. Significant transactions with related parties are as follows:

Relationship with the company	Nature of transaction	September 30, 2009	September 30, 2008
		(Rupees in thousand)	
i. Subsidiary Company	Purchase of goods	226,596	202,611
	Rental income	194	190
	Interest income	6,530	15,922
ii. Other related parties	Sale of goods	2,799	21,239
	Insurance premium	18,159	13,809
	Purchase of services	285,828	262,505
	Insurance claims received	202	190
	Mark-up income on balances with related parties	644	745
	Dividend Income	158,765	173,199

All transactions with related parties have been carried out on commercial terms and conditions.

	September 30, 2009	September 30, 2008
(Rupees in thousand)		
<b>11. Cash flow from operating activities</b>		

Profit / (loss) before tax	489,808	(346,651)
Adjustment for :		
- Depreciation on property, plant and equipment	345,301	331,156
- Depreciation on assets subject to finance lease	-	89
- Profit on disposal of property, plant and equipment	(1,428)	(131)
- Dividend income	(158,770)	(173,199)
- Provision for WPPF	26,306	-
- Provision for WWF	9,996	-
- Retirement and other benefits accrued	10,305	10,571
- Exchange loss - net	57,322	847,480
- Finance cost	468,180	759,133
Profit before working capital changes	1,247,020	1,428,448

## D.G. Khan Cement Company Limited

September 30, September 30,  
2009 2008  
(Rupees in thousand)

### Effect on cash flow due to working capital changes:

- Increase in stores, spares and loose tools	(156,681)	(330,011)
- Decrease (Increase) in stock-in-trade	234,563	(325,705)
- Increase in trade debts	(174,550)	(70,186)
- Increase in advances, deposits, prepayments and other receivables	(504,156)	(219,324)
- (Decrease)/ Increase in trade and other payables	440,476	261,680
	(160,348)	(683,546)
Cash generated from operations	1,086,672	744,902

### 12. Cash and cash equivalents

Short term borrowings - secured	(9,423,629)	(8,442,949)
Cash and bank balances	146,397	239,781
	(9,277,232)	(8,203,168)

### 13. Date of authorisation

This condensed interim financial information was authorised for issue on October 28, 2009 by the Board of Directors of the Company.

### 14. Corresponding figures

In order to comply with the requirements of the International Accounting Standard 34: 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cashflow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged wherever necessary for the purposes of comparison, however, no significant re-arrangements have been made.

Chief Executive

Director



D.G. Khan Cement Company Limited and its Subsidiary

**D.G. Khan Cement Company Limited**  
**Condensed Interim Consolidated**  
**Financial Statements for the quarter ended**  
**September 30, 2009 (Un-Audited)**

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

### Director's Report on Condensed Interim 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:

	2009-10 (Quarter July-September) (Rupees in million)	2008-09
Sale revenue	4,764.170	4,410.317
Gross profit	1,422.831	1,339.812
Profit/(loss) before tax	553.457	(391.012)
Profit/(loss) after tax	630.291	(223.012)

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: October 28, 2009

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

### CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT

	Note	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
950,000,000 (June 30, 2009: 950,000,000) ordinary shares of Rs 10/- each		9,500,000	9,500,000
50,000,000 (June 30, 2009: 50,000,000) preference shares of Rs 10/- each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital		3,042,494	3,042,494
Reserves		22,658,939	17,440,244
Accumulated profit		1,091,410	483,954
		<u>26,792,843</u>	<u>20,966,692</u>
Minority interest		312,269	289,434
		<u>27,105,112</u>	<u>21,256,126</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	5	4,669,129	4,675,837
Liabilities against assets subject to finance lease		113	155
Long term deposits		74,374	73,765
Retirement and other benefits		88,462	78,622
Deferred taxation		<u>1,255,576</u>	<u>1,361,576</u>
		<u>6,087,654</u>	<u>6,189,955</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,960,935	1,446,235
Accrued markup		434,164	569,329
Short term borrowing-secured		9,764,706	9,446,856
Current portion of non-current liabilities		4,046,323	4,924,181
Provision for taxation		35,090	35,090
		<u>16,241,218</u>	<u>16,421,691</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6		
		<u>49,433,984</u>	<u>43,867,772</u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

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

### SEPTEMBER 30, 2009 (UN-AUDITED)

		September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	25,204,705	25,550,453
Assets subject to finance lease		731	731
Capital work in progress		1,915,833	1,750,208
Investments	8	4,729,485	2,968,879
Long term loans, advances and deposits		168,734	167,959
		<u>32,019,488</u>	<u>30,438,230</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		3,122,006	2,964,840
Stock-in-trade		795,872	1,023,230
Trade debts		807,694	656,986
Investments	8	11,244,068	7,785,979
Advances, deposits, prepayments and other receivables		1,283,047	737,493
Cash and bank balances		161,809	261,014
		<u>17,414,496</u>	<u>13,429,542</u>
		<u>49,433,984</u>	<u>43,867,772</u>

Director

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

### CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	September 30, 2009 (Rupees in thousand)	September 30, 2008
Sales		4,764,170	4,410,317
Cost of sales	9	(3,341,339)	(3,070,505)
<b>Gross profit</b>		<b>1,422,831</b>	<b>1,339,812</b>
Administrative expenses		(36,377)	(32,163)
Selling and distribution expenses		(399,597)	(430,305)
Other operating expenses		(98,158)	(620,566)
Other income		160,932	176,840
<b>Profit from operations</b>		<b>1,049,631</b>	<b>433,618</b>
Finance cost		(496,156)	(824,630)
<b>Profit/(loss) before tax</b>		<b>553,475</b>	<b>(391,012)</b>
Taxation		76,816	168,000
<b>Profit/(loss) after tax</b>		<b>630,291</b>	<b>(223,012)</b>
Attributable to:			
Equity holders of the parent		607,456	(195,831)
Minority interest		22,835	(27,181)
		<b>630,291</b>	<b>(223,012)</b>
<b>Earning (loss)/ per share-basic and diluted</b>		<b>2</b>	<b>(0.88)</b>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

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

### CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	September 30, 2009	September 30, 2008
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	1,201,741	882,401
Finance cost paid		(631,363)	(699,655)
Retirement and other benefits paid.		(465)	(7,370)
Taxes paid		(29,184)	(58,104)
Net increase in long term deposits		609	831
		541,338	118,103
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(179,002)	(252,393)
Sales proceeds of property, plant and equipment		4,502	844
Long term loans and deposits		(775)	(2,806)
Dividend received		158,770	173,210
		(16,505)	(81,145)
<b>Cash flows from financing activities</b>			
Repayment of long term loans		(941,888)	(799,228)
Repayment of liabilities against assets subject to finance lease		-	(1,293)
Dividend paid		-	(148)
		(941,888)	(800,669)
Net decrease in cash and cash equivalents		(417,055)	(763,711)
Cash and cash equivalents at the beginning of year		(9,185,842)	(7,950,250)
Cash and cash equivalents at the end of the period	12	(9,602,897)	(8,713,961)

The annexed notes form an integral part of these interim financial information.

Chief Executive

Director

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

### CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

September 30, September 30,  
2009 2008  
(Rupees in thousand)

Profit/(loss) after taxation	630,291	(223,012)
Other comprehensive income		
Available for sale financial assets		
- Change in fair value	5,218,695	(3,409,386)
- Realized gain through profit and loss account	-	-
- Tax expense	-	-
Other comprehensive income/ (loss) for the period	5,218,695	(3,409,386)
Total comprehensive income/ (loss) for the period	<u>5,848,986</u>	<u>(3,632,398)</u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

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

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	CAPITAL RESERVE			REVENUE RESERVE			Minority Interest
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit	
	Rupees in thousand						
Balance as at June 30, 2008 - Audited	2,535,412	2,711,384	19,458,977	353,510	5,110,851	32,399	30,202,533
Capital transactions with owner - Right issue	507,082	507,082	-	-	-	-	1,014,164
Total comprehensive income for the year	-	-	(10,701,560)	-	-	451,555	(10,250,005)
Balance as at June 30, 2009 - Audited	3,042,494	3,218,466	8,757,417	353,510	5,110,851	483,954	20,966,692
Total comprehensive income / (loss) for the period	-	-	5,218,695	-	-	607,456	5,826,151
Balance as at September 30, 2009 - Unaudited	3,042,494	3,218,466	13,976,112	353,510	5,110,851	1,091,410	26,792,843

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



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

### SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 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.

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 Clinker, Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.

The subsidiary company is an unlisted public limited company incorporated in Pakistan under the Companies Ordinance 1984 on July 23, 2004. It is principally engaged in manufacture and sale of paper products and packaging material.

#### 2. Basis of preparation

This consolidated interim financial information is unaudited and has been prepared and is being submitted to the shareholders of the parent company in accordance with the provisions contained in section 245 of the Companies Ordinance, 1984 and the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. This consolidated interim financial information does not include all the information required for annual consolidated financial statements and therefore should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2009

#### 3. Significant accounting policies

- 3.1 The accounting policies adopted for the preparation of this consolidated interim financial information are the same as those applied in the preparation of the preceding annual published consolidated financial statements of the group for the year ended June 30, 2009.
- 3.2 The following amendments to the International Accounting Standards have become applicable for the first time being mandatory for the financial year beginning on or after January 1, 2009.

International Accounting Standard 1 (revised), 'Presentation of financial statements'

The revised accounting standard prohibits the presentation of certain items of income and expenses (non-owner changes in equity) in the statement of changes in equity that were earlier required by other International Financial Reporting Standards (IFRS) to be accounted for in the statement of changes in equity and thus requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in the performance statement. Companies can choose whether to present one performance statement (Statement of Comprehensive Income) or two statements (Profit and Loss Account and Statement of Comprehensive Income).

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

The group, however, has preferred to present two statements i.e., a Profit and Loss Account and a Statement of Comprehensive Income. This consolidated interim financial information has been prepared on the basis of revised disclosure requirements.

### IFRS 7 'Financial Instruments: Disclosures'

IFRS 7 is effective from January 1, 2009 and it requires disclosures about the significance of financial instruments for the group's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks, however, it will not have any impact on the classification and valuation of the group's financial instruments. The group will consider the requirements of IFRS 7 in the annual consolidated financial statements.

### Other amendments relating to other accounting standards

In addition to above, following new accounting standards and amendments to the accounting standards are mandatory for the first time for the financial year beginning on or after January 1, 2009 and are also relevant to the group. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the group.

- IFRS 3 (amendment) - Business Combinations
- IAS 23 (revised) - Borrowing costs
- IAS 27 (revised) - Consolidated and separate financial statements
- IAS 28 (revised) - Investment in associates
- IAS 36 (revised) - Impairment of assets
- IAS 39 (revised) - Financial Instruments: Recognition and measurement

4. The provision for taxation for the quarter ended September 30, 2009 has been made on an estimated basis.

	Note	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>5. Long term finances</b>			
These are composed of:			
- Long term loans	5.1	6,715,452	7,595,311
- Loan under musharika arrangement		<u>2,000,000</u>	<u>2,000,000</u>
		8,715,452	9,595,311
Less: Current portion shown under current liabilities		<u>4,046,323</u>	<u>4,919,474</u>
		<u>4,669,129</u>	<u>4,675,837</u>
<b>5.1 Long term loans</b>			
Opening balance		9,595,311	11,721,939
Add: Disbursements during the period		-	300,000
Exchange loss during the period		<u>57,322</u>	<u>730,888</u>
		9,652,633	12,752,827
Less: Repayment during the period		<u>937,181</u>	<u>3,157,516</u>
Closing balance		<u>8,715,452</u>	<u>9,595,311</u>

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

### 6. Contingencies and commitments

#### 6.1 Contingencies

There is no significant change in contingencies from the preceding annual published consolidated financial statements of the group for the year ended June 30, 2009.

#### 6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 131.778 million (June 30, 2009: Rs 196.252 million).
- (ii) Letters of credit for capital expenditure Rs NIL million (June 30, 2009: Rs 0.068 million).
- (iii) Letters of credit other than capital expenditure Rs 768.728 million (June 30, 2009: Rs 986.898 million).

	Note	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>7. Property, Plant and Equipment</b>			
Opening book value		25,550,453	24,224,269
Add: Additions during the period	7.1	13,377	2,737,825
Transfer in		-	5,046
		13,377	2,742,871
Less: Disposals during the period - net book value		3,074	2,011
Depreciation charged during the period		356,051	1,414,676
		359,125	1,416,687
Closing balance		25,204,705	25,550,453

#### 7.1 Major additions during the period

Free hold land	-	64,893
Building on freehold land	-	292,731
Roads	-	56,058
Plant and machinery	12,274	2,084,833
Quarry equipment	-	174,380
Furniture, fixtures and office equipment	792	23,305
Motor vehicles	-	5,712
Power and water supply lines	311	35,913
	13,377	2,737,825

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

	September 30, 2009 Unaudited (Rupees in thousand)	June 30, 2009 Audited
<b>8. Investments</b>		
Cost of investments	1,997,441	1,997,441
Add: Fair value adjustments	13,976,112	8,757,417
	15,973,553	10,754,858
Less: Investments classified in current assets	11,244,068	7,785,979
Closing balance	4,729,485	2,968,879
September 30, 2009      September 30, 2008 (Rupees in thousand)		
<b>9. Cost of sales</b>		
Raw and packing materials consumed	508,474	357,847
Salaries, wages and other benefits	160,900	168,163
Electricity, Gas and Water	436,515	368,399
Furnace oil/coal	1,343,196	1,825,001
Stores and spares consumed	212,867	200,399
Repair and maintenance	39,661	32,291
Insurance	11,249	11,508
Depreciation on property, plant and equipment	352,841	339,102
Depreciation on assets subject to finance lease	14	98
Royalty	45,078	19,693
Excise duty	10,144	7,193
Vehicle running	4,566	4,839
Postage, telephone and telegram	1,122	1,588
Printing and stationery	980	1,308
Legal and professional charges	841	1,098
Traveling and conveyance	1,972	1,508
Estate development	1,544	1,771
Rent, rates and taxes	2,358	1,127
Freight charges	349	2,088
Other expenses	2,964	5,350
	3,137,635	3,350,371
<b>Work in progress</b>		
Opening work-in-process	387,444	118,292
Closing work-in-process	(254,470)	(320,514)
	132,974	(202,222)
Cost of goods manufactured	3,270,609	3,148,149
<b>Finished goods</b>		
Opening stock of finished goods	259,685	118,864
Closing stock of finished goods	(187,149)	(195,973)
	72,536	(77,109)
Less: Own consumption capitalised	1,806	535
	3,341,339	3,070,505

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

### 10. Transactions with related parties

The related parties comprise associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. Significant transactions with related parties are as follows:

Relationship with the company	Nature of transaction	September 30, 2009 (Rupees in thousand)	September 30, 2008
Other related parties	Sale of goods	2,799	21,239
	Insurance premium	18,159	13,809
	Purchase of services	285,828	262,505
	Insurance claims received	202	190
	Mark-up income on balances with related parties	644	745
	Dividend income	158,765	173,199

All transactions with related parties have been carried out on commercial terms and conditions..

### 11. Cash flow from operating activities

	September 30, 2009 (Rupees in thousand)	September 30, 2008
Profit / (loss) before tax	553,475	(391,012)
Adjustment for :		
- Depreciation on property, plant and equipment	356,051	342,035
- Depreciation on assets subject to finance lease	-	107
- Profit on disposal of property, plant and equipment	(1,428)	(131)
- Dividend income	(158,770)	(173,199)
- Provision for WPPF	26,306	-
- Provision for WWF	9,996	-
- Retirement and other benefits accrued	10,305	10,571
- Exchange loss - net	57,322	847,480
- Finance cost	496,156	824,630
Profit before working capital changes	1,349,413	1,460,481

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

	September 30, 2009	September 30, 2008
(Rupees in thousand)		
<b>Effect on cash flow due to working capital changes:</b>		
- Increase in stores, spares and loose tools	(157,166)	(324,610)
- Decrease (Increase) in stock-in-trade	227,358	(243,281)
- Increase in trade debts	(150,708)	(119,753)
- Increase in advances, deposits, prepayments and other receivables	(545,554)	(221,765)
- Increase in trade and other payables	478,398	331,329
	(147,672)	(578,080)
Cash generated from operations	1,201,741	882,401
<b>12. Cash and cash equivalents</b>		
Short term borrowings - secured	(9,764,706)	(8,996,038)
Cash and bank balances	161,809	282,077
	(9,602,897)	(8,713,961)

### 13. Date of authorisation

This condensed consolidated interim financial information was authorised for issue on October 28, 2009 by the Board of Directors of the parent company.

### 14. Corresponding figures

In order to comply with the requirements of the International Accounting Standard 34: 'Interim Financial Reporting', the consolidated balance sheet and the consolidated interim statement of changes in equity have been compared with the balances of annual audited consolidated financial statements of preceding financial year, whereas, the consolidated interim profit and loss account, consolidated interim statement of comprehensive income and consolidated interim cashflow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged wherever necessary for the purposes of comparison, however, no significant re-arrangements have been made.

Chief Executive

Director