



1st Quarter Report
September 30, 2010
(Un-audited)



D.G. KHAN CEMENT
COMPANY LIMITED



D.G. Khan Cement Company Limited

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D.G. Khan Cement Company Limited



CORPORATE PROFILE

Board of Directors

Mrs. Naz Mansha	Chairperson
Mian Raza Mansha	Chief Executive
Mr. Khalid Qadeer Qureshi	
Mr. Zaka-ud-Din	
Mr. Muhammad Azam	
Mr. Inayat Ullah Niazi	Chief Financial Officer
Ms. Nabiha Shahnawaz Cheema	

Audit Committee

Mr. Khalid Qadeer Qureshi	Member/Chairman
Mr. Muhammad Azam	Member
Ms. Nabiha Shahnawaz Cheema	Member

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

Allied Bank Limited	Habib Metropolitan Bank Limited
Askari Bank Limited	MCB Bank Limited
Bank Alfalah Limited	NIB Bank
Bank Islami Pakistan Limited	Meezan Bank Limited
Barclays Bank Plc	National Bank of Pakistan
Citibank N.A.	Royal Bank of Scotland
Deutsche Bank AG	Samba Bank Limited
Dubai Islamic Bank	Standard Chartered Bank (Pakistan)
Faysal Bank Limited	Limited
First Women Bank Limited	Silk Bank Limited
Habib Bank Limited	The Bank of Punjab
HSBC	United Bank Limited

External Auditors

KPMG Taseer Hadi & Co, Chartered Accountants

Cost Auditors

Avais Hyder Liaquat Nauman, Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Registered Office

Nishat House, 53-A, Lawrence Road,
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Phone: 92-42-36367812-20 UAN: 111 11 33 33
Fax: 92-42-36367414
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Factory

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D.G. Khan Cement Company Limited

DIRECTORS' REPORT

I am pleased to present the un-audited accounts for the 1st quarter ended 30th September 2010.

INDUSTRY REVIEW

This is the first time during the last decade that cement sales have seen a negative sign both in the local as well as export markets during the period July-Sep 2010. Unprecedented floods ravaged lives of almost 20 million citizens of the country and badly affected the infrastructure and damaged almost everything that came in its way. The damage is so massive that it affected almost every common man in the country and halted economic activities. Cement sales in the country stood at 4.6 million tons, dropped sharply by 16% compared with same period last year. Govt. abandoned almost all developmental schemes included in the developmental budget. In addition, spending in private sector is also negligible in the aftermaths of historic flood. Going forward, the economy of the country was already jolting due to terrorist attacks and poor law and order conditions in most parts of the country. Rising cost of coal, fuels and packing materials also badly hit the production costs. Coal in international market is hovering around US\$ 120/ton against US\$ 75/ton last year same period. In addition, constant rise of gas and electricity tariff also posed negatively to the profitability of the cement sector.

Export of cement/clinker from the country plunged by nearly 21% which has badly affected the cement industry. Cement prices in the regional markets dropped sharply due to less demand. Going forward, revival of exports from few Gulf States also posed negatively for Pakistani cement industry. Total export of cement/clinker was 2.3 million tons against 2.9 million tons in the same period last year.

PLANT OPERATION

Detailed production data is as follows:

The plants operated well during the period. Clinker production declined from corresponding period as the Kiln for KHP plant and the Kiln-I for DGK plant were shut down for routine maintenance.

Cement production also declined ensued from low demand of cement.

	Clinker Production		Cement Production	
	July-September		July-September	
	2010	2009	2010	2009
	M.Tons		M.Tons	
DGK	526,477	580,460	438,306	533,254
KHP	436,716	572,291	534,771	650,870
Total	963,193	1,152,751	973,077	1,184,124
Utilization	96%	115%	92%	112%

SALES

During the first quarter i.e. July-Sep 2010 the local sales witnessed a decline of about 27% by reason of flood in most parts of the country. Whereas, exports of cement plunged by 8% from the corresponding period.

	Despatches	
	July-September	
	2010	2009
	M.Tons	
Cement		
Local	710,168	1,173,523
Export	210,463	229,551
Total	920,631	1,173,523
Clinker	-	71,041

OPERATING RESULTS

	2010-11	2009-10
	(Quarter July-September)	
	(Rupees in million)	
-Net Sales	3,527.923	4,592.103
-Cost of Goods Sold	2,849.484	3,275.062
-Gross Profit	678.439	1,317.041
-Profit before tax	25.547	489.808
- Profit after tax	22.146	584.619
- Basic-Earning per share (Rs.)	0.06	1.60

D.G. Khan Cement Company Limited



The first quarter of FY 2011 started with negative sentiments. Sales volume suffered badly due to flood and affected the operating profits. Sales revenue and gross profit declined by 23% and 48% respectively during the period under report compared with the same period last year ensued from low sales volume and increase in production costs. Cost of doing business in the country is generally on the rise due to rising of fuels cost in international markets and unprecedented increase in utilities tariff by the Govt. coupled with hyperinflationary trends in the country. All these bode negatively on the profitability of the company.

Your company received a dividend of Rs. 213 million against Rs. 159 million in corresponding period last year on its investments.

After accounting for depreciation of Rs. 352.184 million and provision for taxation of Rs. 3.401 million, your company has earned a net profit of Rs. 22.146 million (2009: Net profit Rs. 584.619 million).

ON GOING PROJECTS:

The first phase of Refused Derived Fuel (RDF) project at KHP site is underway. The project is expected to start operations next month. Complete automated system will handle different RDF. The system will bring enough flexibility that the company may use mix of different RDF subject to their calorific values. This will result in substantial savings both in local and foreign currency being spent on the import of coal.

Recently your company has also signed an agreement for the purchase of plant & machinery for 2nd phase of RDF project for KHP plant and also for the RDF project at DGK Plant. On completion of this phase the substantial part of coal usage will be replaced with cheaper alternative fuels.

Work on power generation from Waste Heat at KHP cement plant is underway. Engineering and design of equipments is in process. The Project will generate about 10MW which will bring down the production cost of cement.

FUTURE OUTLOOK

Prevailing dangling and delicate political posture and severe security concerns in most parts of the country are the continuous threats to the economic and developmental activities in the country. Almost all the developmental projects have been at stand still position in the aftermath of flood. Indications of substantial cuts in annual developmental expenditure for FY 2011 will seriously affect the demand of cement in public sector which is a poor sign for the cement industry. From the short term prospects, the sentiments are not in favor of construction related industries. But it is hoped that the Govt.'s spending on reconstruction activities will start after the settlement of flood affected people. This massive reconstruction will last for a couple of years to offset the damage caused, which is a positive sign for the cement and allied industries.

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 27, 2010



D.G. Khan Cement Company Limited

CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET AS AT

	September 30, 2010 Unaudited	June 30, 2009 Audited
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital		
- 950,000,000 (June 30, 2010: 950,000,000) ordinary shares of Rs 10 each	9,500,000	9,500,000
- 50,000,000 (June 30, 2010: 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	3,650,993	3,650,993
Reserves	21,786,167	22,160,477
Accumulated profit	729,896	707,750
	<u>26,167,056</u>	<u>26,519,220</u>
NON-CURRENT LIABILITIES		
Long term finances	4,578,737	5,089,507
Long term deposits	78,002	81,138
Retirement and other benefits	105,961	104,029
Deferred taxation	1,433,598	1,465,960
	<u>6,196,298</u>	<u>6,740,634</u>
CURRENT LIABILITIES		
Trade and other payables	1,374,895	1,679,749
Accrued markup	379,776	346,425
Short term borrowing-secured	11,327,059	9,585,642
Current portion of non-current liabilities	2,208,032	2,139,283
Provision for taxation	35,090	35,090
	<u>15,324,852</u>	<u>13,786,189</u>
CONTINGENCIES AND COMMITMENTS		
	<u>47,688,206</u>	<u>47,046,043</u>

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

Chief Executive

D.G. Khan Cement Company Limited



SEPTEMBER 30, 2010

		September 30, 2010 Unaudited (Rupees in thousand)	June 30, 2009 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	25,018,014	25,307,302
Capital work in progress		445,436	465,650
Investments	8	4,647,779	4,696,922
Long term loans, advances and deposits		147,999	158,677
		30,259,228	30,628,551
 CURRENT ASSETS			
Stores, spares and loose tools		3,897,442	3,017,742
Stock-in-trade		1,494,948	1,036,876
Trade debts		141,403	303,949
Investments	8	10,415,805	10,740,972
Advances, deposits, prepayments and other receivables		1,222,826	1,087,161
Cash and bank balances		256,554	230,792
		17,428,978	16,417,492
		47,688,206	47,046,043

Director



D.G. Khan Cement Company Limited

CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	September 30, 2010 (Rupees in thousand)	September 30, 2009
Sales		3,527,923	4,592,103
Cost of sales	9	(2,849,484)	(3,275,062)
Gross profit		678,439	1,317,041
Administrative expenses		(41,960)	(35,759)
Selling and distribution expenses		(326,732)	(397,058)
Other operating expenses		(29,382)	(93,624)
Other income		233,414	167,388
Profit from operations		513,779	957,988
Finance cost		(488,232)	(468,180)
Profit before taxation		25,547	489,808
Taxation		(3,401)	94,811
Profit after taxation		22,146	584,619
			Restated
Earnings per share (basic and diluted)	Rupees	0.06	1.60

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

Chief Executive

Director

D.G. Khan Cement Company Limited



CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	September 30, 2010	September 30, 2009
(Rupees in thousand)			
Cash flows from operating activities			
Cash (used in)/ generated from operations	11	(944,023)	1,086,672
Financial cost paid		(454,881)	(565,788)
Retirement and other benefits paid		(6,317)	(4,933)
Taxes paid		(52,401)	(27,189)
long term deposits - Net		(3,136)	609
		(1,460,758)	489,371
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(65,763)	(176,963)
Proceeds from sale of property, plant and equipment		28,380	4,502
Long term loans and deposits - Net		10,678	(775)
Interest received		15,610	-
Dividend received		213,115	158,770
Net cash from/ (used in) investing activities		202,020	(14,466)
Cash flows from financing activities			
Repayment of long term finances		(456,917)	(927,404)
Net decrease in cash and cash equivalents		(1,715,655)	(452,499)
Cash and cash equivalents at the beginning of period		(9,354,850)	(8,824,733)
Cash and cash equivalents at the end of period	12	(11,070,505)	(9,277,232)

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

Chief Executive

Director



D.G. Khan Cement Company Limited

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Profit after taxation	22,146	584,619
Other comprehensive (loss)/ income		
Available for sale financial assets		
- Change in fair value	(374,310)	5,218,695
- Realized gain through profit and loss account	-	-
- Tax expense	-	-
Other comprehensive (loss) / income for the period	(374,310)	5,218,695
Total comprehensive (loss) / income for the period	(352,164)	5,803,314

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

Chief Executive

Director



**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (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 June 30, 2009 - Audited	3,042,494	3,218,466	8,757,417	353,510	5,071,827	474,728	20,918,442	
Capital transactions with owner								
- Right issue	608,499	608,499	-	-	-	-	1,216,998	
Total comprehensive income for the period								
- Profit for the year	-	-	-	-	-	233,022	233,022	
- Other comprehensive income for the year	-	-	4,150,758	-	-	-	4,150,758	
Balance as at June 30, 2010 - Audited	3,650,993	3,826,965	12,908,175	353,510	5,071,827	707,750	26,519,220	
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	22,146	22,146	
- Other comprehensive loss for the period	-	-	(374,310)	-	-	-	(374,310)	
Balance as at September 30, 2010 - Unaudited	3,650,993	3,826,965	12,533,865	353,510	5,071,827	729,896	26,167,056	

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

Chief Executive

Director



D.G. Khan Cement Company Limited

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (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

The unaudited condensed interim unconsolidated financial information (hereafter "interim financial information") for the quarter has been prepared and is being submitted to shareholders in accordance with the provisions contained in section 245 of the Companies Ordinance, 1984 and the pronouncements of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. The interim financial information does not include all of the information required for full annual financial statements and accordingly, should be read in conjunction with the annual financial statements for the year ended June 30, 2010 as they provide an update of previously reported information.

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the presentation of assets, liabilities, incomes and expenses and the amounts reported there against as well as disclosure of contingent liabilities at the date of the interim financial information. If in future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial information, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate during the period in which the circumstances change.

In preparing the 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
- Retirement and other benefits
- Provisions and contingencies
- Fair value of derivatives

3. Significant accounting policies

3.1 The accounting policies and methods of computation adopted in the preparation of the interim financial information are generally based on the same policies and methods as applied in preparation of the annual financial statements for the year ended June 30, 2010.

D.G. Khan Cement Company Limited



3.2 In addition to above, following amendments to the International Financial Reporting Standards/International Accounting Standards are mandatory for the first time for the financial year beginning on or after July 1, 2010, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the company.

- IFRS 1 (amendment) - First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters
- IFRS 2 (amendment) - Share-Based Payments - Group Cash-settled Share-based Payment Transactions
- IFRS 5 (amendment) - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 (amendment) - Operating Segments
- IAS 1 (amendment) - Presentation of Financial Statements
- IAS 7 (amendment) - Statement of Cash Flows
- IAS 17 (amendment) - Leases
- IAS 32 (amendment) - Financial Instruments: Presentation - Classification of Right Issues
- IAS 36 (amendment) - Impairment of Assets
- IAS 39 (amendment) - Financial Instruments: Recognition and Measurement

4. The provision for taxation for the quarter September 30, 2010 has been made on an estimated basis.

	Note	September 30, 2010 Unaudited (Rupees in thousand)	June 30, 2009 Audited
5. Long term finances			
These are composed of:			
- Long term loans		6,780,968	7,222,988
- Loan under musharika arrangement		-	-
	5.1	6,780,968	7,222,988
Less: Current portion shown under current liabilities		2,202,231	2,133,481
		4,578,737	5,089,507
5.1 Long term loans			
Opening balance		7,222,988	9,135,311
Add: Disbursements during the period		-	3,050,000
Exchange loss during the period		14,897	142,060
		7,237,885	12,327,371
Less: Repayment during the period		456,917	5,104,383
Closing balance		6,780,968	7,222,988



D.G. Khan Cement Company Limited

6. Contingencies and commitments

6.1 Contingencies

There is no significant change in contingencies from the annual financial statements of the company for the year ended June 30, 2010.

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 109.841 million (June 30, 2010: Rs 115.335 million).
- (ii) Letters of credit for capital expenditure Rs 13.056 million (June 30, 2010: Rs 41.891 million).
- (iii) Letters of credit other than capital expenditure Rs 914.704 million (June 30, 2010: Rs 1,375.171 million).

7. Property, Plant and Equipment

	Note	September 30, 2010 Unaudited (Rupees in thousand)	June 30, 2010 Audited
Opening book value		25,307,302	24,345,793
Add: Additions during the period/ year	7.1	85,978	2,364,052
Transfer in during the period/ year		-	-
		85,978	2,364,052
Less: Disposals during the period/ year - net book value		23,080	9,979
Depreciation charged during the period/ year		352,186	1,392,564
		375,266	1,402,543
Closing book value		<u>25,018,014</u>	<u>25,307,302</u>

7.1 Major additions during the period

Building on freehold land	-	168,806
Roads	-	18,279
Plant and machinery	81,128	2,100,649
Furniture, fixtures and office equipment	1,127	15,357
Motor vehicles	3,723	13,659
Power and water supply lines	-	47,302
	<u>85,978</u>	<u>2,364,052</u>

D.G. Khan Cement Company Limited



	September 30, 2010 Unaudited	June 30, 2010 Audited
(Rupees in thousand)		
8. Investments		
Cost of investments	2,529,719	2,529,719
Add: Fair value adjustments	12,533,865	12,908,175
	15,063,584	15,437,894
Less: Investments classified in current assets	10,415,805	10,740,972
Closing balance	4,647,779	4,696,922
	September 30, 2010	September 30, 2009
(Rupees in thousand)		
9. Cost of sales		
Raw and packing materials consumed	402,596	454,777
Salaries, wages and other benefits	177,671	157,519
Electricity, gas and water	457,201	434,953
Furnace oil/coal	1,501,202	1,343,196
Stores and spares consumed	270,269	210,712
Repair and maintenance	64,596	39,600
Insurance	12,011	10,107
Depreciation on property, plant and equipment	349,494	342,100
Royalty	37,728	45,078
Excise duty	3,492	10,144
Vehicle running	5,751	4,450
Postage, telephone and telegram	1,214	1,119
Printing and stationery	743	964
Legal and professional charges	763	741
Travelling and conveyance	1,413	1,972
Estate development	2,622	1,544
Rent, rates and taxes	4,056	2,358
Freight charges	1,344	342
Other expenses	10,197	2,870
Total production cost	3,304,363	3,064,546
Opening work-in-process	537,539	387,444
Cost of goods available for production	3,841,902	3,451,990
Closing work-in-process	(802,717)	(254,470)
Cost of goods produced	3,039,185	3,197,520
Opening stock of finished goods	219,365	249,916
Cost of goods available for sale	3,258,550	3,447,436
Closing stock of finished goods	(407,066)	(170,568)
Own consumption capitalized	(2,000)	(1,806)
	(409,066)	(172,374)
Cost of goods sold	2,849,484	3,275,062



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,	September 30,
		2010	2009
		(Rupees in thousand)	
Subsidiary Company	Purchase of goods and services	275,236	226,596
	Rental Income	198	194
	Interest Income	13,839	6,530
Other related parties	Purchase of goods and services	209,051	285,828
	Sale of property plant and equipment	23,187	-
	Insurance premium	6,105	18,159
	Sale of goods	8,357	2,799
	Mark-up income on balances with related parties	571	644
	Insurance claim received	758	202
	Dividend income	213,112	158,765
Key Management personnel	Salaries and other employment benefits	23,654	19,580
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	8,248	10,305

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

	September 30,	September 30,
	2010	2009
		(Rupees in thousand)
11. Cash flow from operating activities		
Profit before tax	25,547	489,808
Adjustment for :		
- Depreciation on property, plant and equipment	352,184	345,301
- Profit on disposal of property, plant and equipment	(5,299)	(1,428)
- Dividend income	(213,115)	(158,770)
- Retirement and other benefits accrued	8,248	10,305
- Markup income	(14,629)	-
- Exchange loss - net	14,897	57,322
- Finance cost	488,232	468,180
Profit before working capital changes c/d	656,065	1,210,718

D.G. Khan Cement Company Limited



	September 30, 2010	September 30, 2009
(Rupees in thousand)		
Profit before working capital changes b/f	656,065	1,210,718
Effect on cash flow due to working capital changes:		
- Stores, spares and loose tools	(879,700)	(156,681)
- Stock-in-trade	(458,072)	234,563
- Trade debts	162,546	(174,550)
- Advances, deposits, prepayments and other receivables	(120,008)	(504,156)
- Trade and other payables	(304,854)	476,778
	(1,600,088)	(124,046)
Cash (used in)/ generated from operations	(944,023)	1,086,672

12. Cash and cash equivalents

Short term borrowings - secured	(11,327,059)	(9,423,629)
Cash and bank balances	256,554	146,397
	(11,070,505)	(9,277,232)

13. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on October 27, 2010.

14. Corresponding figures

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

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

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
Condensed Interim Consolidated
Financial Statements for the quarter ended
September 30, 2010 (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:

	2010-11 (Quarter July-September) (Rupees in thousand)	2009-10
Sale revenue	3,730,660	4,764,170
Gross profit	765,278	1,422,831
Profit before tax	69,027	553,475
Profit after tax	46,266	630,291

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 27, 2010



D.G. Khan Cement Company Limited and its Subsidiary

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT

	September 30, 2010	June 30, 2010
	Unaudited	Audited
	(Rupees in thousand)	
Note		
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital		
950,000,000 (June 30, 2010: 950,000,000) ordinary shares of Rs 10/- each	9,500,000	9,500,000
50,000,000 (June 30, 2010: 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	3,650,993	3,650,993
Reserves	21,825,191	22,199,501
Accumulated profit	790,062	755,856
	<u>26,266,246</u>	<u>26,606,350</u>
NON-CONTROLLING INTEREST	340,368	328,308
	<u>26,606,614</u>	<u>26,934,658</u>
NON-CURRENT LIABILITIES		
Long term finances	6 4,718,737	5,229,507
Long term deposits	78,002	81,138
Retirement and other benefits	105,961	104,029
Deferred taxation	1,434,598	1,451,960
	<u>6,337,298</u>	<u>6,866,634</u>
CURRENT LIABILITIES		
Trade and other payables	1,527,834	1,830,315
Accrued markup	409,628	376,277
Short term borrowing-secured	11,914,064	10,080,232
Current portion of non-current liabilities	2,368,145	2,369,438
Provision for taxation	35,090	35,090
	<u>16,254,761</u>	<u>14,691,352</u>
CONTINGENCIES AND COMMITMENTS	7	
	<u>49,198,673</u>	<u>48,492,644</u>

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

Chief Executive

D.G. Khan Cement Company Limited and its Subsidiary



SEPTEMBER 30, 2010

	Note	September 30, 2010 Unaudited (Rupees in thousand)	June 30, 2010 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	26,146,642	26,446,199
Assets subject to finance lease		665	675
Capital work in progress		445,436	465,650
Investments	9	4,444,150	4,493,293
Long term loans, advances and deposits		149,018	159,583
		<u>31,185,911</u>	<u>31,565,400</u>
CURRENT ASSETS			
Stores, spares and loose tools		3,934,671	3,049,409
Stock-in-trade		2,151,027	1,636,829
Trade debts		314,208	462,367
Investments	9	10,415,819	10,740,986
Advances, deposits, prepayments and other receivables		899,978	774,711
Cash and bank balances		297,059	262,942
		<u>18,012,762</u>	<u>16,927,244</u>
		<u><u>49,198,673</u></u>	<u><u>48,492,644</u></u>

Director



D.G. Khan Cement Company Limited and its Subsidiary

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	September 30, 2010 (Rupees in thousand)	September 30, 2009 (Rupees in thousand)
Sales		3,730,660	4,764,170
Cost of sales	10	(2,965,382)	(3,341,339)
Gross profit		<u>765,278</u>	<u>1,422,831</u>
Administrative expenses		(42,811)	(36,377)
Selling and distribution expenses		(329,518)	(399,597)
Other operating expenses		(33,535)	(98,158)
Other income		219,524	160,932
Profit from operations		<u>578,938</u>	<u>1,049,631</u>
Finance cost		(509,911)	(496,156)
Profit before taxation		<u>69,027</u>	<u>553,475</u>
Taxation		(22,761)	76,816
Profit after taxation		<u><u>46,266</u></u>	<u><u>630,291</u></u>
Attributable to:			
Equity holders of the parent		34,206	607,456
Non-controlling interest		<u>12,060</u>	<u>22,835</u>
		<u><u>46,266</u></u>	<u><u>630,291</u></u>
			Restated
Earning per share (basic and diluted)	Rupees	<u><u>0.13</u></u>	<u><u>1.73</u></u>

The annexed notes form an integral part of this condensed interim consolidated 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, 2010 (UN-AUDITED)

	Note	September 30, 2010	September 30, 2009
(Rupees in thousand)			
Cash flows from operating activities			
Cash (used in)/ generated from operations	12	(931,146)	1,201,741
Financial cost paid		(476,560)	(631,363)
Retirement and other benefits paid.		(6,317)	(465)
Taxes paid		(56,761)	(29,184)
Long term deposits - Net		(3,136)	609
Net cash (used in)/ from operating activities		(1,473,920)	541,338
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(66,506)	(179,002)
Proceeds from sale of property, plant and equipment		28,380	4,502
Long term loans and deposits - Net		10,565	(775)
Interest received		15,610	-
Dividend received		213,115	158,770
Net cash from investing activities		201,164	(16,505)
Cash flows from financing activities			
Repayment of long term finances		(526,917)	(941,888)
Repayment of liabilities against assets subject to finance lease		(42)	-
Net cash used in financing activities		(526,959)	(941,888)
Net decrease in cash and cash equivalents		(1,799,715)	(417,055)
Cash and cash equivalents at the beginning of period		(9,817,290)	(9,185,842)
Cash and cash equivalents at the end of period	13	(11,617,005)	(9,602,897)

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

Chief Executive

Director



D.G. Khan Cement Company Limited and its Subsidiary

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Profit after taxation	46,266	630,291
Other comprehensive (loss)/ income		
Available for sale financial assets		
- Change in fair value	(374,310)	5,218,695
- Realized gain through profit and loss account	-	-
- Tax expense	-	-
Other comprehensive (loss)/ income for the period	(374,310)	5,218,695
Total comprehensive (loss)/ income for the period	<u>(328,044)</u>	<u>5,848,986</u>
Attributable to:		
Equity holders of the parent	(328,044)	5,848,986
Non-controlling interest	-	-
	<u>(328,044)</u>	<u>5,848,986</u>

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

Chief Executive

Director



**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	CAPITAL RESERVE			REVENUE RESERVE			Total equity attributable to shareholders of parent company	Non-Controlling Interest	Total shareholders equity
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit			
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	289,434	21,256,126
Capital transactions with owner									
- Right issue	608,499	608,499	-	-	-	-	1,216,998	-	1,216,998
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	271,902	271,902	38,874	310,776
- Other comprehensive income for the year	-	-	4,150,758	-	-	-	4,150,758	-	4,150,758
Balance as at June 30, 2010 - Audited	3,650,993	3,826,965	12,908,175	353,510	5,110,851	755,856	26,606,350	328,308	26,934,658
Total comprehensive income for the period									
- Profit for the period	-	-	-	-	-	34,206	34,206	12,060	46,266
- Other comprehensive loss for the period	-	-	(374,310)	-	-	-	(374,310)	-	(374,310)
Balance as at September 30, 2010 - Unaudited	3,650,993	3,826,965	12,533,865	353,510	5,110,851	790,062	26,266,246	340,368	26,606,614

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

Chief Executive

Director



D.G. Khan Cement Company Limited and its Subsidiary

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (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

The unaudited condensed interim consolidated financial information (hereafter "interim consolidated financial information") for the quarter has been prepared and is being submitted to shareholders in accordance with the provisions contained in section 245 of the Companies Ordinance, 1984 and the pronouncements of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. The interim consolidated financial information does not include all of the information required for full annual financial statements and accordingly, should be read in conjunction with the annual financial statements for the year ended June 30, 2010 as they provide an update of previously reported information.

The preparation of the interim consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the presentation of assets, liabilities, incomes and expenses and the amounts reported there against as well as disclosure of contingent liabilities at the date of the interim consolidated financial information. If in future such estimates and assumptions, which are based on management's best judgment at the date of the interim consolidated financial information, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate during the period in which the circumstances change.

In preparing the interim consolidated 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
- Retirement and other benefits
- Provisions and contingencies
- Fair value of derivatives

3. Consolidated companies

Besides D. G. Khan Cement Company Limited, the Group's Financial Information for the

D.G. Khan Cement Company Limited and its Subsidiary



first three months of the financial year includes one subsidiary. Furthermore, no entities were consolidated for the first time during the period.

4. Significant accounting policies

4.1 The accounting policies adopted for the preparation of this interim consolidated 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, 2010.

4.2 In addition to above, following amendments to the International Financial Reporting Standards/ International Accounting Standards are mandatory for the first time for the financial year beginning on or after July 1, 2010, however, the adoption of these amendments is either not yet effective of the amendments did not have any significant impact on the financial information of the group.

- IFRS 1 (amendment) - First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters
- IFRS 2 (amendment) - Share-Based Payments - Group Cash-settled Share-based Payment Transactions
- IFRS 5 (amendment) - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 (amendment) - Operating Segments
- IAS 1 (amendment) - Presentation of Financial Statements
- IAS 7 (amendment) - Statement of Cash Flows
- IAS 17 (amendment) - Leases
- IAS 32 (amendment) - Financial Instruments: Presentation - Classification of Right Issues
- IAS 36 (amendment) - Impairment of Assets
- IAS 39 (amendment) - Financial Instruments: Recognition and Measurement
- IAS 32 (amendment) - Financial Instruments: Presentation and consequential

5. The provision for taxation for the quarter September 30, 2010 has been made on an estimated basis.

	September 30, 2010	June 30, 2010
	Unaudited	Audited
	(Rupees in thousand)	
6. Long term finances	Note	
Long term loans	6.1	7,080,968
Less: Current portion shown under current liabilities		7,592,988
		<u>2,362,231</u>
		<u>4,718,737</u>
6.1 Long term loans		
Opening balance		7,592,968
Add: Disbursements during the period		9,595,311
Exchange loss during the period		-
		<u>14,897</u>
		<u>7,607,885</u>
Less: Repayment during the period		12,789,212
Closing balance		<u>5,196,224</u>
		<u>7,080,968</u>



D.G. Khan Cement Company Limited and its Subsidiary

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the annual financial statements of the group for the year ended June 30, 2010

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 109.841 million (June 30, 2010: Rs 115.335 million).
- (ii) Letters of credit for capital expenditure Rs 13.056 million (June 30, 2010: Rs 41.891 million).
- (iii) Letters of credit other than capital expenditure Rs 1,043.561 million (June 30, 2010: Rs 1,547.811 million).

	Note	September 30, 2010 Unaudited (Rupees in thousand)	June 30, 2010 Audited
8. Property, Plant and Equipment			
Opening book value		26,446,199	25,550,453
Add: Additions/transfers during the period/year	8.1	86,729	2,367,462
Less: Disposals during the period - net book value		23,080	32,112
Depreciation charged during the period / year		363,206	1,439,604
		386,286	1,471,716
Closing book value		<u>26,146,642</u>	<u>26,446,199</u>

8.1 Major additions during the period

Building on freehold land	-	168,806
Roads	-	18,279
Plant and machinery	81,623	2,102,688
Furniture, fixtures and office equipment	1,383	15,364
Motor vehicles	3,723	15,023
Power and water supply lines	-	47,302
	<u>86,729</u>	<u>2,367,462</u>

D.G. Khan Cement Company Limited and its Subsidiary



	September 30, 2010 Unaudited (Rupees in thousand)	June 30, 2010 Audited
9. Investments		
Cost of investments	2,326,104	2,326,104
Add: Fair value adjustments	12,533,865	12,908,175
	<u>14,859,969</u>	<u>15,234,279</u>
Less: Investments classified in current assets	10,415,819	10,740,986
Closing balance	<u>4,444,150</u>	<u>4,493,293</u>
	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
10. Cost of sales		
Raw and packing materials consumed	525,866	508,474
Salaries, wages and other benefits	182,678	160,900
Electricity, gas and water	458,764	436,515
Furnace oil/coal	1,501,202	1,343,196
Stores and spares consumed	272,643	212,867
Repair and maintenance	66,158	39,661
Insurance	13,310	11,249
Depreciation on property, plant and equipment	360,432	352,841
Depreciation on assets subject to finance lease	-	14
Royalty	37,728	45,078
Excise duty	3,492	10,144
Vehicle running	6,555	4,566
Postage, telephone and telegram	1,216	1,122
Printing and stationery	760	980
Legal and professional charges	788	841
Travelling and conveyance	1,423	1,972
Estate development	2,622	1,544
Rent, rates and taxes	4,397	2,358
Freight charges	1,344	349
Other expenses	10,215	2,964
Total production cost	<u>3,451,593</u>	<u>3,137,635</u>
Opening work-in-process	537,539	387,444
Cost of goods available for production	<u>3,989,132</u>	<u>3,525,079</u>
Closing work-in-process	(802,717)	(254,470)
Cost of goods produced	<u>3,186,415</u>	<u>3,270,609</u>
Opening stock of finished goods	249,740	259,685
Cost of goods available for sale	<u>3,436,155</u>	<u>3,530,294</u>
Closing stock of finished goods	(468,772)	(187,149)
	<u>2,967,382</u>	<u>3,343,145</u>
Own consumption capitalized	(2,000)	(1,806)
Cost of goods sold	<u>2,965,382</u>	<u>3,341,339</u>



D.G. Khan Cement Company Limited and its Subsidiary

11. 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 group	Nature of transaction	September 30,	September 30,
		2010	2009
		(Rupees in thousand)	
Other related parties	Purchase of goods and services	209,051	285,828
	Sale of property plant and equipment	23,187	-
	Insurance premium	6,105	18,159
	Sale of goods	8,357	2,799
	Mark-up income on balances with related parties	571	644
	Insurance claim received	758	202
	Dividend income	213,112	158,765
Key Management personnel	Salaries and other employment benefits	23,654	19,580
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	8,248	10,305

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

	September 30,	September 30,
	2010	2009
	(Rupees in thousand)	

12. Cash flow from operating activities

Profit before tax	69,027	553,475
Adjustment for :		
- Depreciation on property, plant and equipment	363,206	356,051
- Profit on disposal of property, plant and equipment	(5,299)	(1,428)
- Dividend income	(213,115)	(158,770)
- Provision for WPPF	-	26,306
- Provision for WWF	-	9,996
- Retirement and other benefits accrued	8,248	10,305
- Markup income	(14,629)	-
- Exchange loss - net	14,897	57,322
- Finance cost	509,911	496,156
Profit before working capital changes c/d	732,246	1,349,413

D.G. Khan Cement Company Limited and its Subsidiary



	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Profit before working capital changes b/f	732,246	1,349,413
Effect on cash flow due to working capital changes:		
- Stores, spares and loose tools	(885,262)	(157,166)
- Stock-in-trade	(514,198)	227,358
- Trade debts	148,159	(150,708)
- Advances, deposits, prepayments and other receivables	(109,610)	(545,554)
- Trade and other payables	(302,481)	478,398
	(1,663,392)	(147,672)
Cash (used in)/ generated from operations	<u>(931,146)</u>	<u>1,201,741</u>

13. Cash and cash equivalents

Short term borrowings - secured	(11,914,064)	(9,764,706)
Cash and bank balances	297,059	161,809
	<u>(11,617,005)</u>	<u>(9,602,897)</u>

14. Date of authorization

This interim financial information was authorized for issue by the Board of Directors on October 27, 2010.

15. Corresponding figures

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

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

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

Chief Executive

Director

2010



D.G. KHAN CEMENT
COMPANY LIMITED

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