



Half Yearly Report  
(Un-audited)  
December 31,

20  
12



**D.G. KHAN  
CEMENT COMPANY  
LIMITED**



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## CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha Mian Raza Mansha Mr. Khalid Qadeer Qureshi Dr. Arif Bashir Mr. Farid Noor Ali Fazal Mr. Inayat Ullah Niazi Ms. Nabiha Shahnawaz Cheema	Chairperson Chief Executive  Chief Financial Officer
Audit Committee	Mr. Khalid Qadeer Qureshi Mr. Farid Noor Ali Fazal Ms. Nabiha Shahnawaz Cheema	Member/Chairman Member Member
Human Resource & Remuneration Committee	Mian Raza Mansha Mr. Khalid Qadeer Qureshi Ms. Nabiha Shahnawaz Cheema	Member Member/Chairman Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Bank Islami Pakistan Limited Barclays Bank Plc Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Faysal Bank Limited HSBC Bank Middle East Limited United Bank Limited	Habib Bank Limited Habib Metropolitan Bank MCB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Samba Bank Limited Standard Chartered Bank (Pakistan) Limited Silk Bank Limited The Bank of Punjab
External Auditors	A.F. Ferguson & 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, 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	
Factory	1. Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan Phone: 92-641-460025-7 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 Fax: 92-543-650231	

## DIRECTORS' REPORT

The board of directors is pleased to submit its report along with the condensed interim financial information for the first half of the financial year 2013.

### Business Outlook

The trend of fragility in economic recovery is expected to be continued yet for another year – FY13. Global growth remained historically low for the second consecutive year.

The United States is experiencing a weak recovery with an uncertain future while emerging economies are growing somewhat less than they did in 2011-12. Debt crises in euro zone remained unresolved. Recent developments, such as the danger of a property bubble in China, a decline in world trade, and volatility of capital flows in emerging markets could derail the recovery and have a lasting impact on the global economy.

All these developments are highly interrelated and demand timely, decisive, and coordinated action by policymakers. In light of these uncertain global ramifications, sustained structural reforms aimed at improving transparency, population welfare and enhancing competitiveness will be necessary for countries to stabilize economic growth and ensure the rising prosperity of their populations going into the future.

Economy of Pakistan is still clutching at straws and so we saw same trend in first six months of FY13. Mismanagement of economic resources and poor law and order situation in Karachi, Balochistan and Khyber Pakhtoonkhaw smashed down the economy's potential during last four years. Domestic investments hit the 60 years lowest and foreign direct investment also hit the lowest. The policy of reckless borrowing and ruthless spending by the government also quivered the boat already in storm. Serious efforts in respect of broadening tax base and tackling energy crisis are invisible.

Decrease in discount rate by SBP was an effort by the government to revive business activities. However, devaluation of Pak rupee deteriorated our balance of payment.

Cement industry in Pakistan is witnessing a mixed trend due to government spending on major infrastructure projects in election year and revival of construction sector, local volumes increased by 0.8 million metric tons showing growth of 7.6% compared to same period of last financial year. While export volumes decreased by 5.2% over the same period of last year due to various non tariff barriers being imposed by India, increase in export of Iranian cement to Afghanistan market and sluggish growth in African market. Overall there is a marginal growth of 3.8% on YoY basis.

### Company's Performance

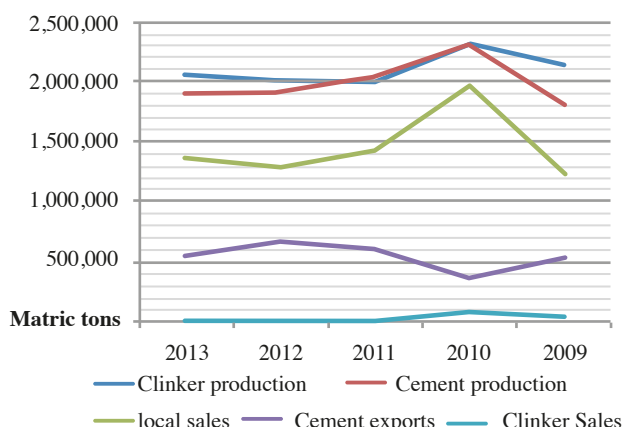
#### Production and Sales Statistics

	First Half FY 2013	First Half FY 2012
	MT	MT
Clinker production	2,060,491	2,044,491
Capacity Utilization (%)	103%	102%
Cement production	1,905,193	1,927,129
Cement sales (Local)	1,364,454	1,289,525
Cement Sales (Export)	557,145	664,850
Clinker Sales (Export)	6,000	-

Our production remained static over the periods however local sales showed a volumetric growth of around 6%.

Export sales volume decreased by more than 16% due to cut throat price competition in international Market.

#### Five years production and sales statics YOY

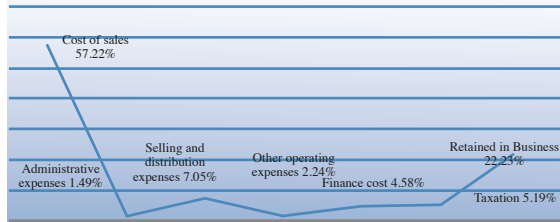


#### Financial performance

Period ended December 31

	FY 2013	FY 2012	Variance	
	(Rupees in thousand)		YOY	%
Sales	11,825,821	10,701,409	1,124,412	10.51
Cost of sales	7,209,221	7,224,535	(15,314)	0.21
Gross profit	4,616,600	3,476,874	1,139,726	32.78
Other income	772,566	650,192	122,374	18.82
Profit from operations	4,031,988	2,528,699	1,503,289	59.45
Finance cost	577,396	885,823	(308,426)	34.82
Profit before taxation	3,454,592	1,642,876	1,811,716	110.27
Taxation	541,292	363,436	170,856	48.93
Profit after taxation	2,913,300	1,279,440	1,633,860	127.70

Following is the composition of cost as percentage of revenue



Increase in exports sales is factored by devaluation in Pak Rupee despite volumetric decline.

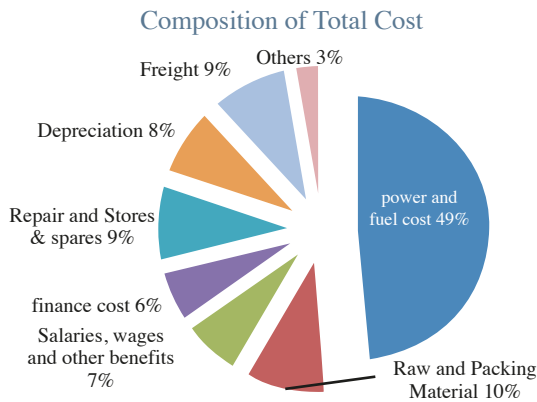
The company's early adaptation of cost cutting measures like Waste Heat recovery and using Refused Derived fuel resulted in marginal decrease in company's cost of sales despite increase in prices of fuel and imported raw materials.

Selling and Distribution expenses decreased due to shrinkage of exports through sea.

Other income includes dividend Income of Rs. 713.048 Million received during the year from Investment.

Taxation is calculated at estimated annualized tax rate applicable to expected annual earning. Deferred Tax provision increased to Rs 465.178 Millions due to expected capitalization of Plant and Machinery in second half of the financial year and change in sales ratio between normal and final tax regime.

Following is the composition of total cost



### Carbon Credits

The company's Waste Heat Recovery and utilization for Power Generation project at DG site and projects for substitution of coal with alternative fuels at both sites are registered with UNFCCC for the qualification of Carbon Emission Reduction (CER) credits. While Waste Heat Recovery and utilization for Power generation Project at Khairpur site will be registered within this month. The expected CER credits available with the company are more than 350,000.

### Future Prospects

Keeping in view growth in sales volumes and stable cement prices, our company is expecting reasonable profit to add value to shareholder's wealth in post election scenario.

IMF loan repayment has put an immense pressure on Pak Rupee for devaluation as a result our cost of imports is expected to increase.

Cost cutting measures already implemented and stable coal prices in international market will have impact on profitability. However, severe energy crises may affect company's operations and profitability.

SBP discount rate is expected to remain stable for some period thus finance cost is expected to drop off.

Our Waste Heat Recovery project at Khairpur plant will start its operations in March 13 and will help to further reduce our energy cost. Delayed start of project operations was due to delay in delivery of equipment from USA due to Sandy Storm.

Our company has acquired sites near Lahore and Multan for installation of plant to process Refused Derived Fuel (RDF). This effort would help our company to bring efficiency and economy to our process.

### Company's Staff and Customers

We wish to record our appreciation of continued commitment of our employees and patronage of our customers.

For and on behalf of the Board

**Mian Raza Mansha**  
Chief Executive Officer

Lahore: 11 February 2013



**A. F. FERGUSON & CO.**

## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of D.G. Khan Cement Company Limited as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

### **Scope of Review**

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

### **Conclusion**

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

### **Chartered Accountants**

**Lahore**

**Name of engagement partner: Muhammad Masood**

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Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kobul, Afghanistan; Tel: +92 (779) 315 320*

## CONDENSED INTERIM BALANCE SHEET

As at December 31, 2012 (Un-audited)

Rupees in thousands	Note	31 December 2012 un-audited	30 June 2012 audited
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Authorised capital			
- 950,000,000 (30 June 2012: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (30 June 2012: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<b>10,000,000</b>	<b>10,000,000</b>
Issued, subscribed and paid up capital			
438,119,119 (June 30, 2012: 438,119,119)			
Ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		27,875,427	23,562,612
Accumulated profit		7,242,950	4,986,829
<b>Shareholders' equity</b>		<b>39,499,568</b>	<b>32,930,632</b>
Long term finances	5	4,208,304	4,629,083
Long term deposits		63,631	68,355
Retirement and other benefits		201,846	185,116
Deferred taxation		2,131,247	1,666,069
<b>Non-current liabilities</b>		<b>6,605,028</b>	<b>6,548,623</b>
Trade and other payables		1,894,252	2,108,894
Accrued markup		171,092	162,931
Short term borrowing-secured		7,259,217	6,733,467
Current portion of non-current liabilities		1,952,739	2,165,561
Provision for taxation		35,090	35,090
<b>Current liabilities</b>		<b>11,312,390</b>	<b>11,205,943</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>Total equity and liabilities</b>		<b>57,416,986</b>	<b>50,685,198</b>
<b>ASSETS</b>			
Property, plant and equipment	7	28,154,140	27,185,726
Intangible assets	8	64,582	73,808
Investments	9	6,457,689	4,864,945
Long term loans, advances and deposits		121,633	120,342
<b>Non-current assets</b>		<b>34,798,044</b>	<b>32,244,821</b>
Stores, spares and loose tools		3,661,412	4,137,262
Stock-in-trade		1,728,269	954,645
Trade debts		292,838	317,970
Investments	9	14,040,122	11,126,051
Advances, deposits, prepayments and other receivables		1,566,498	1,476,008
Cash and bank balances		1,329,803	428,441
<b>Current assets</b>		<b>22,618,942</b>	<b>18,440,377</b>
<b>Total assets</b>		<b>57,416,986</b>	<b>50,685,198</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive



Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**

Quarter and half year ended December 31, 2012 (Un-audited)

Rupees in thousands	Note	2012		2011	
		July to December	October to December	July to December	October to December
Sales		11,825,821	5,951,783	10,701,409	5,613,396
Cost of sales	10	(7,209,221)	(3,548,063)	(7,224,535)	(3,667,719)
<b>Gross profit</b>		<b>4,616,600</b>	<b>2,403,720</b>	<b>3,476,874</b>	<b>1,945,677</b>
Administrative expenses		(187,849)	(113,905)	(120,193)	(68,823)
Selling and distribution expenses		(887,710)	(312,699)	(1,237,888)	(602,200)
Other operating expenses		(281,619)	(178,605)	(240,286)	(144,861)
Other income		772,566	416,823	650,192	388,762
<b>Profit from operations</b>		<b>4,031,988</b>	<b>2,215,334</b>	<b>2,528,699</b>	<b>1,518,555</b>
Finance cost		(577,396)	(274,545)	(885,823)	(436,960)
<b>Profit before taxation</b>		<b>3,454,592</b>	<b>1,940,789</b>	<b>1,642,876</b>	<b>1,081,595</b>
Taxation		(541,292)	(466,387)	(363,436)	(119,904)
<b>Profit after taxation</b>		<b>2,913,300</b>	<b>1,474,402</b>	<b>1,279,440</b>	<b>961,691</b>
Earning per share (basic and diluted)	Rupees	6.65	3.37	2.92	2.20

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive



Director



**CONDENSED INTERIM STATEMENT  
OF COMPREHENSIVE INCOME**

Quarter and half year ended December 31, 2012 (Un-audited)

Rupees in thousands	2012		2011	
	July to December	October to December	July to December	October to December
<b>Income for the period</b>	<b>2,913,300</b>	<b>1,474,402</b>	<b>1,279,440</b>	<b>961,691</b>
Other comprehensive income				
Available for sale financial assets - Change in fair value	4,312,815	2,316,664	(5,358,861)	3,473,514
Other comprehensive income / (loss) for the period	4,312,815	2,316,664	(5,358,861)	3,473,514
<b>Total comprehensive income / (loss) for the period</b>	<b>7,226,115</b>	<b>3,791,066</b>	<b>(4,079,421)</b>	<b>4,435,205</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive



Director

**CONDENSED INTERIM CASH FLOW STATEMENT**  
For the half year ended December 31, 2012 (Un-audited)

Rupees in thousands	Note	July to December 2012	July to December 2011
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	3,535,558	1,430,684
Financial cost paid		(569,234)	(909,810)
Retirement and other benefits paid		(14,334)	(11,787)
Taxes paid		(182,464)	(146,635)
Long term deposits - net		(4,724)	(1,338)
<b>Net cash generated from operating activities</b>		<b>2,764,802</b>	<b>361,114</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(1,771,582)	(542,944)
Proceeds from sale of property, plant and equipment		46,047	20,678
Investments made		(194,000)	-
Long term loans, advances and deposits - net		105,058	(427)
Interest received		72,072	81,644
Dividend received		713,048	574,581
<b>Net cash (used in) / generated from investing activities</b>		<b>(1,029,357)</b>	<b>133,532</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term finances		800,000	-
Repayment of long term finances		(1,508,930)	(1,298,734)
Dividend Paid		(650,903)	-
<b>Net cash used in financing activities</b>		<b>(1,359,833)</b>	<b>(1,298,734)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>375,612</b>	<b>(804,088)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(6,305,026)</b>	<b>(8,524,340)</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>(5,929,414)</b>	<b>(9,328,428)</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive



Director

**CONDENSED INTERIM STATEMENT  
OF CHANGES IN EQUITY**

For the half year ended December 31, 2012 (Un-audited)

Rupees in thousands	Capital reserve				Revenue reserve			Total
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit		
<b>Balance as at 30 June 2012 - Audited</b>	4,381,191	4,557,163	13,580,112	353,510	5,071,827	4,986,829	32,930,632	
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	2,913,300	2,913,300	
- Other comprehensive profit for the period	-	-	4,312,815	-	-	-	4,312,815	
<b>Total contributions by and distributions to owners of the company recognized directly in equity</b>								
- Final dividend for the year ended								
June 30, 2012 (Rs 1.5 per share)	-	-	-	-	-	(657,179)	(657,179)	
<b>Balance as at 31 December 2012 - Unaudited</b>	<b>4,381,191</b>	<b>4,557,163</b>	<b>17,892,927</b>	<b>353,510</b>	<b>5,071,827</b>	<b>7,242,950</b>	<b>39,499,568</b>	
Balance as at 30 June 2011 - Audited	4,381,191	4,557,163	14,974,881	353,510	5,071,827	878,711	30,217,283	
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	1,279,440	1,279,440	
- Other comprehensive loss for the period	-	-	(5,358,861)	-	-	-	(5,358,861)	
<b>Balance as at 31 December 2011 - Unaudited</b>	<b>4,381,191</b>	<b>4,557,163</b>	<b>9,616,020</b>	<b>353,510</b>	<b>5,071,827</b>	<b>2,158,151</b>	<b>26,137,862</b>	

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive



Director

**NOTES TO AND FORMING PART OF THE  
CONDENSED INTERIM FINANCIAL INFORMATION**  
Quarter and half year ended December 31, 2012 (Un-audited)

**1 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 Statement of compliance**

This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and have been reviewed by the auditors as required by the Code of Corporate Governance. The condensed interim financial information should be read in conjunction with the the annual financial statements for the year ended June 30, 2012.

**3 Significant accounting policies**

**3.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2012. Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 1, 2012 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.

**3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.**

**Standards or Interpretation**

**Effective date (accounting  
periods beginning on or  
after)**

- IAS 19 'Employee Benefits'-IAS 1 (amendments)

July 01, 2013

**4 Taxation**

The provision for taxation for the six months ended December 31, 2012 has been made on an estimated basis.

Rupees in thousands	31 December 2012 un-audited	30 June 2012 audited
<b>5 Long term finances</b>		
Long term loans - note 5.1	6,152,249	6,785,851
Less: Current portion shown under current liabilities	1,943,945	2,156,768
	<b>4,208,304</b>	<b>4,629,083</b>
<b>5.1 Long term loans</b>		
Opening balance	6,785,851	6,875,127
Add: Disbursements during the period	800,000	1,906,382
Exchange loss during the period	75,328	136,390
	<b>7,661,179</b>	<b>8,917,899</b>
Less: Repayment during the period	1,508,930	2,132,048
Closing balance	<b>6,152,249</b>	<b>6,785,851</b>

## 6 Contingencies and commitments

### 6.1 Contingencies

During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484 (I)/92, 978 (I)/95 and 569 (I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Company appealed before the Lahore High Court, Multan Bench, which allowed the Company to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Company on the grounds that the said machinery was being manufactured locally during the time when it was imported.

An appeal against the order was filed with the Lahore High Court, which has been decided in favour of the Company. However, the Custom Authorities have filed an appeal with the Supreme Court of Pakistan against the orders of the Lahore High Court. The Honorable court remanded back the case to Customs authorities to reassess the liability of the company. The matter is pending with the Appellate Tribunal. No provision for the outstanding balance of Rs 634.388 million has been made in the financial statements as according to the management of the company there are meritorious grounds that the ultimate decision would be in its favour.

6.2 There is no significant change in contingencies from the annual financial statements of the Company for the year ended June 30, 2012 except for as mentioned above.

### 6.3 Commitments in respect of

- (i) Contracts for capital expenditure Rs 525.991 million (June 30 2012: Rs 156.17 million).
- (ii) Letters of credit for capital expenditure Rs 455.84 million (June 30 2012: Rs 760.127 million).
- (iii) Letters of credit other than capital expenditure Rs 252.157 million (June 30 2012: Rs 952.872 million).

Rupees in thousands		31 December 2012 un-audited	30 June 2012 audited
<b>7</b>	<b>Property, plant and equipment</b>		
	Operating assets	- note 7.1 25,282,587	25,192,214
	Capital work-in-progress	- note 7.2 2,871,553	1,993,512
		<b>28,154,140</b>	<b>27,185,726</b>
	<b>7.1 Operating assets</b>		
	Opening book value	25,192,214	24,611,565
	Add: Additions during the period	- note 7.1.1 893,541	2,039,499
		893,541	2,039,499
	Less: Disposals during the period	37,886	26,633
	Depreciation charged during the period	765,282	1,432,217
		803,168	1,458,850
	Closing book value	<b>25,282,587</b>	<b>25,192,214</b>
	<b>7.1.1 Additions during the period</b>		
	Freehold land	53,642	168,117
	Building on freehold land	139,150	317,485
	Office building and housing colony	8,341	8,424
	Roads	-	107,271
	Plant and machinery	300,137	1,265,789
	Quarry equipment	-	40,106
	Furniture, fixtures and office equipment	20,489	52,018
	Aircraft	328,751	-
	Motor vehicles	42,648	79,828
	Power and water supply lines	383	461
		<b>893,541</b>	<b>2,039,499</b>
	<b>7.2 Capital work-in-progress</b>		
	Civil works	331,072	334,490
	Plant and machinery	2,376,578	1,549,765
	Advances	84,723	31,108
	Others	14,075	16,206
	Expansion project:		
	-Civil works	18,992	18,992
	-Others	46,113	42,951
		65,105	61,943
		<b>2,871,553</b>	<b>1,993,512</b>
<b>8</b>	<b>Intangible assets</b>		
	Opening book value	73,808	-
	Add: Additions during the period	-	92,260
		-	92,260
	Less: Amortization charged during the period	9,226	18,452
		9,226	18,452
	Closing book value	<b>64,582</b>	<b>73,808</b>

Rupees in thousands	31 December 2012 un-audited	30 June 2012 audited
<b>9 Investments</b>		
Cost of investments	2,781,150	2,781,150
Add : Cumulative fair value gain	17,892,927	13,580,112
Add : Purchase of new investment	194,000	-
Less: Cumulative impairment losses recognized	(370,266)	(370,266)
Fair value gain	17,716,661	13,209,846
<b>Total investments</b>	<b>20,497,811</b>	<b>15,990,996</b>
Less: Investments classified in current assets	14,040,122	11,126,051
<b>Closing balance</b>	<b>6,457,689</b>	<b>4,864,945</b>

Rupees in thousands	2012		2011	
	July to December	October to December	July to December	October to December
<b>10 Cost of sales</b>				
Raw and packing materials consumed	955,293	480,779	932,144	480,184
Salaries, wages and other benefits	536,662	282,826	445,753	234,661
Electricity and gas	1,194,057	586,183	1,026,239	553,419
Furnace oil and coal	3,525,692	1,754,419	4,008,740	2,054,547
Stores and spares consumed	742,403	338,086	573,744	330,808
Repair and maintenance	112,988	57,259	89,740	42,996
Insurance	30,274	15,886	28,953	15,120
Depreciation on property, plant and equipment	727,009	366,395	692,903	348,571
Amortization on intangibles	6,458	3,229	6,458	6,458
Royalty	80,002	39,918	79,283	41,618
Excise duty	7,466	3,722	7,403	3,914
Vehicle running	14,568	7,989	10,990	5,620
Postage, telephone and telegram	1,530	713	1,696	1,000
Printing and stationery	2,650	944	2,318	1,459
Legal and professional charges	867	302	679	427
Travelling and conveyance	12,853	7,099	9,545	6,333
Estate development	6,332	3,835	8,988	4,721
Rent, rates and taxes	11,901	6,094	9,453	3,893
Freight charges	3,747	2,392	2,773	1,423
Other expenses	17,378	8,090	13,590	7,649
<b>Total manufacturing cost</b>	<b>7,990,130</b>	<b>3,966,160</b>	<b>7,951,392</b>	<b>4,144,821</b>
Opening work-in-process	322,049	647,372	169,612	443,002
Closing work-in-process	(1,163,509)	(1,163,509)	(962,514)	(962,514)
	(841,460)	(516,137)	(792,902)	(519,512)
<b>Cost of goods manufactured</b>	<b>7,148,670</b>	<b>3,450,023</b>	<b>7,158,490</b>	<b>3,625,309</b>
Opening stock of finished goods	254,990	287,251	294,737	261,514
Closing stock of finished goods	(185,018)	(185,018)	(212,944)	(212,944)
	69,972	102,233	81,793	48,570
Less: Own consumption capitalized	(9,421)	(4,193)	(15,748)	(6,160)
	<b>7,209,221</b>	<b>3,548,063</b>	<b>7,224,535</b>	<b>3,667,719</b>



## 11 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:

Rupees in thousands		July to December 2012	July to December 2011
<b>Relationship with the company</b>	<b>Nature of transaction</b>		
Subsidiary company	Purchase of goods and services	418,810	461,022
	Rental income	406	406
	Interest income	20,637	27,734
Other related parties	Purchase of goods and services	675,756	465,262
	Insurance premium	48,090	49,555
	Sale of goods	73,897	37,862
	Purchase of asset	328,751	-
	Mark-up income on balances with related parties	799	966
	Insurance claim received	-	65
	Dividend income	703,012	564,551
Key management personnel	Salaries and other employment benefits	54,799	54,521
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	43,714	35,862

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

Rupees in thousands		July to December 2012	July to December 2011
<b>12 Cash flow from operating activities</b>			
	Profit before tax	3,454,592	1,642,876
	Adjustment for :		
	- Depreciation on property, plant and equipment	765,282	701,011
	- Profit on disposal of property, plant and equipment	(8,161)	(13,269)
	- Profit on bank deposits	(1,308)	(1,787)
	- Amortization on intangibles	9,226	9,226
	- Dividend income	(713,048)	(574,581)
	- Provision of WPPF	181,821	86,467
	- Retirement and other benefits accrued	31,064	24,767
	- Markup income	(21,436)	(28,700)
	- Exchange loss - net	94,932	51,412
	- Finance cost	577,396	885,823
	<b>Profit before working capital changes</b>	<b>4,370,360</b>	<b>2,783,245</b>
	Effect on cash flow due to working capital changes:		
	- (Increase)/decrease in stores, spares and loose tools	475,850	(536,795)
	- increase in stock-in-trade	(773,624)	(538,724)
	- decrease in trade debts	37,800	207,871
	- increase in advances, deposits, prepayments and other receivables	(139,818)	(169,381)
	- decrease in trade and other payables	(435,010)	(315,532)
		(834,802)	(1,352,561)
	<b>Cash generated from operations</b>	<b>3,535,558</b>	<b>1,430,684</b>



Rupees in thousands	July to December 2012	July to December 2011
<b>13 Cash and cash equivalents</b>		
Short term borrowings - secured	(7,259,217)	(9,529,703)
Cash and bank balances	1,329,803	201,275
	<b>(5,929,414)</b>	<b>(9,328,428)</b>

#### 14 Date of authorization for issue

This interim financial information was authorized for issue on 11 February 2013 by the Board of Directors of the Company.

#### 15 Corresponding figures

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

Chief Executive

Director



# CONSOLIDATED FINANCIAL STATEMENTS

## DIRECTORS' REPORT

The Board of Directors is pleased to submit their report along with the condensed interim consolidated financial statements for the first half of the financial year 2013. Our discussion of affairs of the holding company has been separately presented

### Consolidated Financial Performance

Rupees in thousands	First Half FY 2013	First Half FY 2012	Variance
Sales	12,241,034	11,099,224	1,141,810
Cost of sales	(7,602,374)	(7,549,205)	(53,169)
Gross profit	4,638,660	3,550,019	1,088,641
Profit from operations	4,016,119	2,571,566	1,444,553
Finance cost	(624,366)	(938,733)	314,367
Profit before taxation	3,391,753	1,632,833	1,758,920
Taxation	(565,292)	(358,836)	(206,456)
Profit/ (loss) after taxation	2,826,461	1,273,997	1,552,464

Consolidated net sales increase by more than 10 % compared to same period of Last Financial year. While, consolidated gross profit increased by more than 30 % even after absorbing losses incurred by paper segment. Higher production cost of paper segment mainly due to increase in prices of Kraft paper. Profit after Taxation increased by 121% due to better performance of cement segment.

### Future Prospects

The group foresees reduction in losses of Nishat Paper due to decrease in prices of Kraft paper and better sales prices of paper bags.

### Staff and customers

We wish to record our appreciation of continued commitment of our employees and patronage of our customers.

For and on behalf of the Board



**Mian Raza Mansha**  
Chief Executive Officer

Lahore: 11 February 2013

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

As at December 31, 2012 (Un-audited)

Rupees in thousands	Note	31 December 2012 un-audited	30 June 2012 audited
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Authorised capital			
- 950,000,000 (30 June 2012: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (30 June 2012: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<b>10,000,000</b>	<b>10,000,000</b>
Issued, subscribed and paid up capital		4,381,191	4,381,191
Reserves		27,914,451	23,601,636
Accumulated profit		7,249,593	5,036,891
		<b>39,545,235</b>	<b>33,019,718</b>
Non-controlling interest		286,845	330,265
		<b>39,832,080</b>	<b>33,349,983</b>
Long term finances	5	4,468,304	4,649,083
Long term deposits		63,631	68,355
Retirement and other benefits		201,846	185,116
Deferred taxation		2,091,927	1,602,750
<b>Non-Current Liabilities</b>		<b>6,825,708</b>	<b>6,505,304</b>
Trade and other payables		2,027,295	2,231,863
Accrued markup		171,092	178,652
Short term borrowing-secured		8,192,486	7,559,348
Current portion of non-current liabilities		2,012,739	2,245,561
Provision for taxation		35,090	35,090
<b>Current Liabilities</b>		<b>12,438,702</b>	<b>12,250,514</b>
Contingencies and Commitments	6		
		<b>59,096,490</b>	<b>52,105,801</b>
<b>ASSETS</b>			
Property, plant and equipment	7	29,191,354	28,073,573
Intangible assets	8	64,582	73,808
Investments	9	6,254,059	4,661,314
Long term loans, advances and deposits		122,539	138,748
<b>Non-current assets</b>		<b>35,632,534</b>	<b>32,947,443</b>
Stores, spares and loose tools		3,722,374	4,198,477
Stock-in-trade		2,288,800	1,596,784
Trade debts		450,613	486,597
Investments	9	14,040,141	11,126,071
Advances, deposits, prepayments and other receivables		1,513,793	1,288,036
Cash and bank balances		1,448,235	462,393
<b>Current assets</b>		<b>23,463,956</b>	<b>19,158,358</b>
		<b>59,096,490</b>	<b>52,105,801</b>

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



Chief Executive



Director

## CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

Quarter and half year ended December 31, 2012 (Un-audited)

Rupees in thousands	Note	2012		2011	
		July to December	October to December	July to December	October to December
Sales		12,241,034	6,168,524	11,099,224	5,802,775
Cost of sales	10	(7,602,374)	(3,755,422)	(7,549,205)	(3,866,979)
<b>Gross profit</b>		<b>4,638,660</b>	<b>2,413,102</b>	<b>3,550,019</b>	<b>1,935,796</b>
Administrative expenses		(190,323)	(115,138)	(122,221)	(69,738)
Selling and distribution expenses		(894,455)	(315,855)	(1,243,811)	(604,432)
Other operating expenses		(290,743)	(178,402)	(243,408)	(147,983)
Other income		752,980	406,094	630,987	381,984
<b>Profit from operations</b>		<b>4,016,119</b>	<b>2,209,801</b>	<b>2,571,566</b>	<b>1,495,627</b>
Finance cost		(624,366)	(301,407)	(938,733)	(463,918)
<b>Profit before taxation</b>		<b>3,391,753</b>	<b>1,908,394</b>	<b>1,632,833</b>	<b>1,031,709</b>
Taxation		(565,292)	(498,187)	(358,836)	(113,240)
<b>Profit after taxation</b>		<b>2,826,461</b>	<b>1,410,207</b>	<b>1,273,997</b>	<b>918,469</b>
Attributable to:					
Equity holders of the parent		2,869,881	1,442,305	1,276,719	940,081
Non-controlling interest		(43,420)	(32,098)	(2,722)	(21,612)
		2,826,461	1,410,207	1,273,997	918,469
Combined earnings per share (basic and diluted)	Rupees	6.45	3.22	2.91	2.10

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



Chief Executive



Director

**CONDENSED INTERIM CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME**  
Quarter and half year ended December 31, 2012 (Un-audited)

Rupees in thousands	2012		2011	
	July to December	October to December	July to December	October to December
<b>Profit after taxation</b>	<b>2,826,461</b>	<b>1,410,207</b>	<b>1,273,997</b>	<b>918,469</b>
Other comprehensive income Available for sale financial assets				
- Change in fair value	4,312,815	2,316,664	(5,358,861)	(3,243,871)
Other comprehensive income / (loss) for the period	4,312,815	2,316,664	(5,358,861)	(3,243,871)
<b>Total comprehensive income / (loss) for the period</b>	<b>7,139,276</b>	<b>3,726,871</b>	<b>(4,084,864)</b>	<b>(2,325,402)</b>
<i>Attributable to:</i>				
Equity holders of the parent	7,182,696	3,758,969	(4,082,142)	(2,303,790)
Non-controlling interest	(43,420)	(32,098)	(2,722)	(21,612)
	<b>7,139,276</b>	<b>3,726,871</b>	<b>(4,084,864)</b>	<b>(2,325,402)</b>

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



Chief Executive



Director



## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the half year ended December 31, 2012 (Un-audited)

Rupees in thousands	Note	July to December 2012	July to December 2011
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	3,696,065	1,405,294
Financial cost paid		(631,926)	(953,157)
Retirement and other benefits paid		(14,345)	(11,787)
Taxes paid		(256,647)	(199,463)
long term deposits - net		(4,724)	(1,338)
<b>Net cash generated from operating activities</b>		<b>2,788,423</b>	<b>239,549</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(1,939,780)	(547,558)
Proceeds from sale of property, plant and equipment		46,047	184,558
Investment made		(194,000)	-
Long term loans and deposits - Net		16,209	(17,927)
Interest received		68,855	29,681
Dividend received		713,048	505,931
<b>Net cash (used in) / generated from investing activities</b>		<b>(1,289,621)</b>	<b>154,685</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term finances		1,050,000	-
Repayment of long term finances		(1,538,930)	(1,367,616)
Dividend paid		(657,168)	-
<b>Net cash used in financing activities</b>		<b>(1,146,098)</b>	<b>(1,367,616)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>352,704</b>	<b>(973,382)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(7,096,955)</b>	<b>(9,152,752)</b>
<b>Cash and cash equivalents at the end of period</b>	13	<b>(6,744,251)</b>	<b>(10,126,134)</b>

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 half year ended December 31, 2012 (Un-audited)

	Capital reserve						Revenue reserve		
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit	Total equity attributable to shareholders of parent company	Non-Controlling interest	Total share holders equity
<b>Balance as at 30 June 2012 - Audited</b>	<b>4,381,191</b>	<b>4,557,163</b>	<b>13,580,112</b>	<b>353,510</b>	<b>5,110,851</b>	<b>5,036,891</b>	<b>33,019,718</b>	<b>330,265</b>	<b>33,349,983</b>
Total comprehensive income for the period									
- Profit for the period	-	-	-	-	-	2,869,881	2,869,881	(43,420)	2,826,461
- Other comprehensive income for the period	-	-	4,312,815	-	-	-	4,312,815	-	4,312,815
<b>Total Contributions by and distributions to owners of the Company recognized directly in equity</b>									
- Final dividend for the year ended June 30, 2012 (Rs 1.5 per share)	-	-	-	-	-	(657,179)	(657,179)	-	(657,179)
<b>Balance as at 31 December 2012 - Un-audited</b>	<b>4,381,191</b>	<b>4,557,163</b>	<b>17,892,927</b>	<b>353,510</b>	<b>5,110,851</b>	<b>7,249,593</b>	<b>39,545,235</b>	<b>286,845</b>	<b>39,832,080</b>
Balance as at 30 June 2011 - Audited	4,381,191	4,557,163	14,974,881	353,510	5,110,851	939,916	30,317,512	341,409	30,658,921
Total comprehensive income for the period									
- Profit for the period	-	-	-	-	-	1,276,719	1,276,719	(2,722)	1,273,997
- Other comprehensive income for the period	-	-	(5,358,861)	-	-	-	(5,358,861)	-	(5,358,861)
<b>Balance as at 31 December 2011 - Un-audited</b>	<b>4,381,191</b>	<b>4,557,163</b>	<b>9,616,020</b>	<b>353,510</b>	<b>5,110,851</b>	<b>2,216,635</b>	<b>26,235,370</b>	<b>338,687</b>	<b>26,574,057</b>

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



Chief Executive



Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

Quarter and half year ended December 31, 2012 (Un-audited)

### 1. 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. Statement of compliance

This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and have been reviewed by the auditors as required by the Code of Corporate Governance. The condensed interim financial information should be read in conjunction with the the annual financial statements for the year ended June 30, 2012.

### 3. Significant accounting policies

**3.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2012. Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 1, 2012 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.

#### **3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company**

##### Standards or Interpretation

##### Effective date (accounting periods beginning on or after)

- IAS 19, 'Employee Benefits'- IAS 1 (amendments)

January 01, 2013

### 4 Taxation

The provision for taxation for the six months ended 31 December 2012 has been made on an estimated basis.

Rupees in thousands	31 December 2012 un-audited	30 June 2012 audited
<b>5. Long term finances</b>		
Long term loans	5,771,000	6,184,601
Loan under musharika arrangement- secured	701,250	701,250
	<b>6,472,250</b>	<b>6,885,851</b>
Less: Current portion shown under current liabilities - note 5.1	2,003,946	2,236,768
	<b>4,468,304</b>	<b>4,649,083</b>
<b>5.1 Long term loans</b>		
Opening balance	6,885,851	6,923,252
Add: Disbursements during the period/ year	1,050,000	1,906,382
Exchange loss during the period/ year	75,329	161,368
	<b>8,011,180</b>	<b>8,991,002</b>
Less: Repayment during the period/ year	1,538,930	2,105,151
Closing balance	<b>6,472,250</b>	<b>6,885,851</b>

## 6. Contingencies and commitments

### 6.1 Contingencies

During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484 (I)/92, 978 (I)/95 and 569 (I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Company appealed before the Lahore High Court, Multan Bench, which allowed the Company to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Company on the grounds that the said machinery was being manufactured locally during the time when it was imported.

An appeal against the order was filed with the Lahore High Court, which has been decided in favour of the Company. However, the Custom Authorities have filed an appeal with the Supreme Court of Pakistan against the orders of the Lahore High Court. The Honorable court remanded back the case to Customs authorities to reassess the liability of the company. The matter is pending with the Appellate Tribunal. No provision for the outstanding balance of Rs 634.388 million has been made in the financial statements as according to the management of the company there are meritorious grounds that the ultimate decision would be in its favour.

6.2 There is no significant change in contingencies from the annual financial statements of the Company for the year ended June 30, 2012 except for as mentioned above.

### 6.3 Commitments in respect of

- (i) Contracts for capital expenditure Rs 525.991 million (June 30 2012: Rs 156.17 million).
- (ii) Letters of credit for capital expenditure Rs 455.84 million (June 30 2012: Rs 760.127 million).
- (iii) Letters of credit other than capital expenditure Rs 455.497 million (June 30 2012: Rs 1,035.213 million).

Rupees in thousands	31 December 2012 un-audited	30 June 2012 audited
<b>7 Property, Plant and Equipment</b>		
Operating assets - note 7.1	26,316,369	26,076,700
Capital work -in-progress - note 7.2	2,874,985	1,996,873
	<b>29,191,354</b>	<b>28,073,573</b>
<b>7.1 Operating Assets</b>		
Opening book value	26,076,700	25,707,179
Add: Additions during the period/ year - note 7.1.1	1,061,668	2,046,180
	<b>27,138,368</b>	<b>27,753,359</b>
Less: Disposals during the period/ year - net book value	37,886	189,260
Depreciation charged during the period/ year	784,113	1,487,399
	821,999	1,676,659
Closing book value	<b>26,316,369</b>	<b>26,076,700</b>
<b>7.1.1 Additions during the period</b>		
Freehold land	53,642	168,117
Building on freehold land	139,150	327,592
Office building and housing colony	8,342	-
Roads	-	107,271
Plant and machinery	468,239	1,269,366
Quarry equipment	-	40,106
Furniture, fixtures and office equipment	20,514	52,435
Motor vehicles	42,648	80,832
Power and water supply lines	382	461
Aircraft	328,751	-
	<b>1,061,668</b>	<b>2,046,180</b>
<b>7.2 Capital Work-in-progress</b>		
Civil Works	334,504	337,851
Plant and machinery	2,376,578	1,549,765
Advances	84,723	31,108
Others	14,075	16,206
Expansion project:		
-Civil works	18,992	18,992
-Others	46,113	42,951
	65,105	61,943
	<b>2,874,985</b>	<b>1,996,873</b>
<b>8. Intangible assets</b>		
Opening book value	73,808	-
Add: Additions during the period	-	92,260
	-	92,260
Less: Amortization charged during the period	9,226	18,452
	9,226	18,452
Closing book value	<b>64,582</b>	<b>73,808</b>

Rupees in thousands	31 December 2012 un-audited	30 June 2012 audited
<b>9. Investments</b>		
Cost of investments	2,207,273	2,207,273
Add: Fair value adjustments	17,892,927	13,580,112
Add: Purchase of new investment	194,000	-
	18,086,927	13,580,112
Total investments	<b>20,294,200</b>	<b>15,787,385</b>
Less: Investments classified in current assets	14,040,141	11,126,071
Closing balance	<b>6,254,059</b>	<b>4,661,314</b>

Rupees in thousands	2012		2011	
	July to December	October to December	July to December	October to December
<b>10. Cost of sales</b>				
Raw and packing materials consumed	1,307,935	660,959	1,246,166	687,228
Salaries, wages and other benefits	548,704	288,869	455,912	240,121
Electricity and gas	1,194,545	581,877	1,025,765	548,356
Furnace oil and coal	3,525,692	1,754,419	4,008,740	2,054,547
Stores and spares consumed	758,608	341,390	578,340	333,830
Repair and maintenance	113,526	57,485	89,972	43,098
Insurance	32,857	17,170	31,535	16,401
Depreciation on property, plant and equipment	741,255	371,550	708,899	356,311
Lease rentals - Ijara financing	15,919	7,962	545	545
Amortization on intangibles	6,458	3,229	6,458	6,458
Royalty	80,002	39,918	79,283	41,618
Excise duty	7,466	3,722	7,403	3,914
Vehicle running	14,753	8,074	11,542	5,885
Postage, telephone and telegram	1,542	723	1,709	1,004
Printing and stationery	2,652	944	2,324	1,459
Legal and professional charges	967	402	877	625
Travelling and conveyance	12,853	7,099	9,545	6,333
Estate development	6,332	3,835	8,988	4,722
Rent, rates and taxes	12,639	6,629	10,028	4,121
Freight charges	3,847	2,407	2,861	1,465
Other expenses	17,592	8,149	13,782	7,748
Total manufacturing cost	<b>8,406,144</b>	<b>4,166,812</b>	<b>8,300,674</b>	<b>4,365,789</b>
Opening work-in-process	322,049	647,372	169,612	443,002
Closing work-in-process	(1,163,509)	(1,163,509)	(962,514)	(962,514)
	(841,460)	(516,137)	(792,902)	(519,512)
Cost of goods manufactured	<b>7,564,684</b>	<b>3,650,675</b>	<b>7,507,772</b>	<b>3,846,277</b>
Opening stock of finished goods	300,619	362,448	330,242	299,923
Closing stock of finished goods	(253,508)	(253,508)	(273,061)	(273,061)
	47,111	108,940	57,181	26,862
Less: Own consumption capitalized	(9,421)	(4,193)	(15,748)	(6,160)
	<b>7,602,374</b>	<b>3,755,422</b>	<b>7,549,205</b>	<b>3,866,979</b>

## 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:

Rupees in thousands		July to December 2012	July to December 2011
Relationship with the group	Nature of transaction		
Associated companies/ other related parties	Purchase of goods and services	675,756	465,262
	Insurance premium	48,090	53,031
	Sale of goods	73,897	37,862
	Purchase of Assets	328,751	-
	Mark-up income on balances with related parties	799	966
	Insurance claim received	-	65
	Dividend income	703,012	564,551
	Key management personnel	Salaries and other employment benefits	54,799
Post employment benefit plans		Expense charged in respect of staff retirement benefits plans	43,714

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

Rupees in thousands		July to December 2012	July to December 2011
<b>12. Cash flow from operating activities</b>			
	Profit before tax	3,391,753	1,632,833
	Adjustment for :		
	- Depreciation on property, plant and equipment	784,113	722,165
	- Depreciation on assets subject to finance lease	-	545
	- Amortization on intangibles	9,226	9,226
	- Profit on disposal of property, plant and equipment	(8,161)	(10,147)
	- Dividend income	(713,048)	(505,931)
	- Retirement and other benefits accrued	31,064	24,767
	- Markup income	(21,436)	(28,700)
	- Exchange loss - net	75,329	51,412
	- Finance cost	624,366	938,733
	<b>Profit before working capital changes</b>	<b>4,173,206</b>	<b>2,834,903</b>
	Effect on cash flow due to working capital changes:		
	- Stores, spares and loose tools	476,103	(536,683)
	- Stock-in-trade	(692,016)	(938,987)
	- Trade debts	35,984	221,041
	- Advances, deposits, prepayments and other receivables	(92,644)	(27,102)
	- Trade and other payables	(204,568)	(147,878)
		(477,141)	(1,429,609)
	<b>Cash generated from operations</b>	<b>3,696,065</b>	<b>1,405,294</b>



Rupees in thousands	July to December 2012	July to December 2011
<b>13. Cash and cash equivalents</b>		
Short term borrowings - secured	(8,192,486)	(10,397,097)
Cash and bank balances	1,448,235	270,963
	<b>(6,744,251)</b>	<b>(10,126,134)</b>

#### 14. Operating segments

Segment information is presented in respect of the group's business. The primary format, business segment, is based on the group's management reporting structure.

The group's operations comprise of the following main business segment types:

##### Type of segments Nature of business

Cement	Production and sale of clinker, Ordinary Portland and Sulphate Resistant Cements.
Paper	Manufacture and supply of paper products and packing material.

##### 14.1 Segment analysis and reconciliation - condensed

The information by operating segment is based on internal reporting to the Group executive committee, identified as the 'Chief Operating Decision Maker' as defined by IFRS 8. This information is prepared under the IFRS's applicable to the consolidated financial statements. All group financial data are assigned to the operating segments.

Rupees in thousands	Cement		Paper		Elimination - net		Consolidated	
	July to December 2012	July to December 2011	July to December 2012	July to December 2011	July to December 2012	July to December 2011	July to December 2012	July to December 2011
Revenue from								
- External Customers	11,825,821	10,701,409	415,213	397,815	-	-	12,241,034	11,099,224
- Inter-group	-	-	365,784	348,629	(365,784)	(348,629)	-	-
	11,825,821	10,701,409	780,997	746,444	(365,784)	(348,629)	12,241,034	11,099,224
Segment gross profit	4,616,600	3,476,874	22,197	46,600	(137)	26,545	4,638,660	3,550,019
Segment expenses	(1,357,178)	(1,598,367)	(9,218)	(11,478)	(9,125)	405	(1,375,521)	(1,609,440)
Other income	772,566	650,192	1,863	8,935	(21,449)	(28,140)	752,980	630,987
Financial charges	(577,396)	(885,823)	(77,137)	(80,644)	30,167	27,734	(624,366)	(938,733)
Taxation	(541,292)	(363,436)	(24,000)	4,600	112,293	-	(565,292)	(358,836)
Profit after taxation	2,913,300	1,279,440	(86,295)	(31,987)	111,749	26,544	2,826,461	1,273,997
Depreciation	765,282	701,011	18,831	21,154	-	-	784,113	722,710
Capital expenditure	(1,771,582)	(328,605)	(168,198)	(218,953)	-	-	(1,939,780)	(547,558)
Cash to operations	2,764,802	361,114	53,788	(93,831)	(30,167)	(27,734)	2,788,423	239,549
Cash from investing	(1,029,357)	133,532	(281,713)	(6,987)	21,449	28,140	(1,289,621)	154,685
	December 2012 unaudited	June 2012 audited	December 2012 unaudited	June 2012 audited	December 2012 unaudited	June 2012 audited	December 2012 unaudited	June 2012 audited
Segment assets	57,416,986	45,182,732	1,919,072	2,295,550	(239,569)	(361,462)	59,096,490	52,105,801
Segment liabilities	17,917,418	19,044,868	1,634,004	1,910,949	(287,012)	(413,056)	19,264,410	18,755,818



**14.2 Geographical segments**

All segments of the group are managed on nation-wide basis and operate manufacturing facilities and sales offices in Pakistan only.

**15. Date of authorization**

This interim financial information was authorized for issue by the Board of Directors of the parent company on 11 February 2013.

**16. Corresponding figures**

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

Chief Executive

Director



## Notes

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