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Half Yearly Report (Un-audited) December 31, 2013

D.G. Khan Cement Company Limited

Contents

D.G Khan Cement Company Limited

D.G Khan Cement Company Limited and its Subsidiary

Company Profile

Board of Directors	Mrs. Naz Mansha	Chairperson
	Mian Raza Mansha	Chief Executive
	Mr. Khalid Niaz Khawaja	
	Mr. Khalid Qadeer Qureshi	
	Mr. Farid Noor Ali Fazal	
	Mr. Shahzad Ahmad Malik	
	Ms. Nabiha Shahnawaz Cheema	
Audit Committee	Mr. Khalid Niaz Khawaja	Member/chairman
	Mr. Khalid Qadeer Qureshi	Member
	Ms. Nabiha Shahnawaz Cheema	Member
Human Resource & Remuneration Committee	Mian Raza Mansha	Member
	Mr. Khalid Qadeer Qureshi	Member/Chairman
	Ms. Nabiha Shahnawaz Cheema	Member
Chief Financial Officer	Mr. Inayat Ullah Niazi	
Company Secretary	Mr. Khalid Mahmood Chohan	

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib 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
Habib Bank Limited Limited
Habib Metropolitan Bank
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Silk Bank Limited
The Bank of Punjab
United Bank Limited

External Auditors A.F. Ferguson & Co., Chartered Accountants

Cost Auditors Qadeer & Company, 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' Rpeort

Half Year FY14

The Directors of your company are pleased to present their report on the Half Year FY14 alongwith the financial statement for the said period.

Nevertheless the political front of Pakistan remained uptight, efforts to smooth it out remained not very different from previous years. Maintenance of law and order in state is first priority of government. It is also foremost craving for economic thrive.

Economy experienced high pressure of inflation due to GST increase, removal of exemptions, power price hikes, disruption in supplies etc. It is expected that the targeted GDP growth rate may not come true for running fiscal year and it may be somewhere between 3 and 4 percent against the target of more than 4 percent. Inflation is now at 7.9% which touched 10.9% in November 2013. In September and November 2013 SBP increased base rate by 50 bps on each MPS thereby taking the discount rate up by 1%. Pakistani Rupees lost about 6% of its value over these six months. Gas tariff was also increased by government. These factors, altogether casted negative impact on industries.

HYFY14 is almost similar in overall cement industry despatches to HYFY13 with about one percent nominal increase. Industrial local dispatches increased by 15% in Q2FY14 then in Q1FY14 while exports decreased by same percentage. The overall industrial dispatch increased during Q2FY14 by about 7% when compared with its preceding quarter. This is encouraging data despite low volumes of despatches in winter. Industry though performing well but still the total impact of gas and electricity price hikes has not been completely passed on to the consumers.

Your Company's financial results for the Half Year ended December 31, 2013:

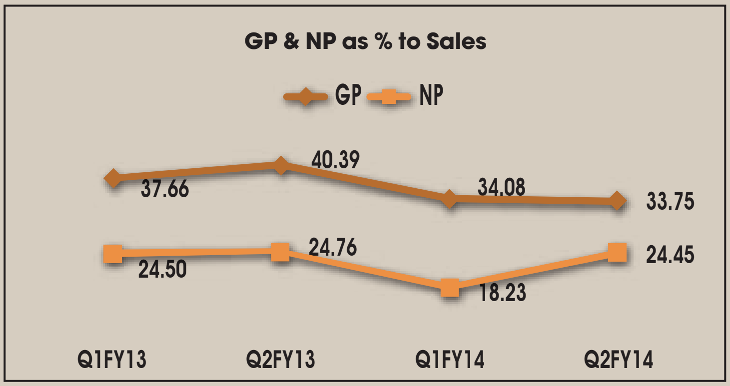
PKR in thousands

Particulars	HYFY14	HYFY13
Sales (Net)	12,403,223	11,825,821
Cost of Sales	8,198,054	7,209,221
Administrative Cost	224,477	187,849
Selling Cost	740,517	887,710
Other Costs	352,773	281,619
Finance Cost	365,553	577,396
Total Costs	9,881,374	9,143,795
Other Income	963,314	772,566
Taxation	816,092	541,292
Income After Tax	2,669,071	2,913,300

Clinker production decreased by about 16% in this half year as compared to HYFY13. During the half year FY14 sales increased in value by about 5% while in terms of metric tons decreased by about 3% in comparison with same period of last financial year. Sales price remained almost stable during the period under review. Local despatches decreased by 1% and exports despatches curtailed by 7%. Other than Afghanistan, other exports markets are restricted in terms of competitiveness of price. However, there is a growth of sales from Q1FY14 to Q2FY14 both in terms of volume (7%) and value (12%). GP & NP margins reduced in this half year in comparison with comparative half year and constituents quarters as well.

	Q1FY14	Q2FY14	HY14	Q1FY13	Q2FY13	HY13
Clinker Production (MT)	773,196	955,861	1,729,057	1,021,062	1,039,429	2,060,491
Cement Production (MT)	897,171	981,156	1,878,327	972,331	932,862	1,905,193
Cement Sales (MT) (Local)	620,966	731,538	1,352,504	624,654	739,800	1,364,454
Cement Sales (MT) (Export)	282,505	233,941	516,446	338,725	218,420	557,145

Cost of Sales for HYFY14 increased by 14%. This is mainly due to low clinker production at expense of more fixed cost. Although the production for half year under review decreased but the energy cost management showed its results. Waste Heat Recovery and Refused Derived Fuels projects are now bearing its fruits. Selling expenses reduced due to volumetric decline in exports. Financial costs reduced by 37% during the comparing half years. It is result of better cash flows which ultimately barred the company to take on new loans and thereby reducing its servicing cost. The company also enjoys competitive banking spreads. Taxation expense is largely composed of deferred portion. This deferred part of tax is arising owing to timing gaps, expected capitalizations and sales mix changes. The company earned a dividend income of PKR 963 million in this half year which is 24% higher than that in the comparative period. NP to sales ratio remained almost same in the periods under review except for Q1FY14 (a constituent of comparative period).



Recently obtained GSP plus status from EU may give a minor positivity for economy but could boost it if carefully used for long term goals and could bring awareness among the businesspersons on standards and demand driven output provided the governments fulfill their part of work.

In coming days the melting of snow will bring signs of more despatches and sunny seasons to follow will expedite those with expectation for volumetric growth with current stable prices. Governmental projects like Metro bus, Dams etc appear to be in line but main source of demand will be household sector. Exports are expected to be low due to lesser margins than in local market. Lending is and expected to keep the track of being inversely proportional to cash inflows. Increased SBP discount rate, hike in electricity and gas prices may hamper growth and profitability. Our two projects of RDF (Lahore Green and Multan Green) are operational now but actual benefits of these will accrue once electricity connection from WAPDA is in operation.

Our plans to expand locally and globally are intact and workings are underway.

We appreciate the efforts of our employees and value our customers' patronage and loyalty.

For and on behalf of the board

Mian Raza Mansha
Chief Executive Officer

Lahore: February 12, 2014

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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, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information 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 and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Lahore,

Date: February 12, 2014

Name of engagement partner: **Muhammad Masood**

A. F. FERGUSON & CO., *Chartered Accountants, a member firm of the PwC network*
23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660; Pakistan.
Tel: +92 (42) 3571 5864-71; Fax: +92 (42) 3571 5872

Karachi: State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan.
Tel: +92 (21) 3242 6682-6/3242 6711-5; Fax: +92 (21) 3241 5007/3242 7938; <www.pwc.com/pk>
Islamabad; PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000; Tel: +92 (51) 2273 457-60; Fax: +92 (51) 227 7924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kobul, Afghanistan; Tel: +92 (779) 315 320

CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET

	Note	31 December, 2013 unaudited	30 June 2013 audited (re-stated)
		----(Rupees in thousand)----	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (30 June 2013: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (30 June 2013: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital 438,119,119 (June 30, 2013: 438,119,119) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		38,512,823	33,785,204
Accumulated profit		11,145,117	9,790,403
		54,039,131	47,956,798
NON-CURRENT LIABILITIES			
Long term finances	5	1,911,873	2,899,187
Long term deposits		66,876	65,383
Retirement and other benefits		174,867	153,020
Deferred taxation		3,901,818	3,144,738
		6,055,434	6,262,328
CURRENT LIABILITIES			
Trade and other payables		2,583,916	2,286,351
Accrued markup		166,097	125,830
Short term borrowing-secured		5,579,814	5,420,290
Current portion of non-current liabilities		1,393,749	1,440,032
Provision for taxation		35,090	35,090
		9,758,666	9,307,593
CONTINGENCIES AND COMMITMENTS	6		
		69,853,231	63,526,719

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

AS AT DECEMBER 31, 2013

	Note	31 December, 2013 unaudited	30 June 2013 audited (re-stated)
		----(Rupees in thousand)----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	29,399,550	28,740,974
Intangible assets	8	46,130	55,356
Investments	9	10,737,817	8,650,860
Long term loans, advances and deposits		104,961	95,535
		40,288,458	37,542,725
CURRENT ASSETS			
Stores, spares and loose tools		4,243,049	4,107,003
Stock-in-trade		1,640,881	1,661,721
Trade debts		363,965	273,535
Investments	9	20,703,216	17,862,718
Advances, deposits, prepayments and other receivables		781,198	611,777
Income tax receivable		1,124,084	996,522
Derivative financial instrument		42,749	1,837
Cash and bank balances		665,631	468,881
		29,564,773	25,983,994
		69,853,231	63,526,719

Director

CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	Note	2013		2012	
		July to December	October to December	July to December	October to December
		----Rupees in thousands----			
Sales		12,403,223	6,549,150	11,825,821	5,951,783
Cost of sales	10	(8,198,054)	(4,338,651)	(7,209,221)	(3,548,063)
Gross profit		4,205,169	2,210,499	4,616,600	2,403,720
Administrative expenses		(224,477)	(117,245)	(187,849)	(113,905)
Selling and distribution expenses		(740,517)	(419,552)	(887,710)	(312,699)
Other operating expenses		(352,773)	(180,657)	(281,619)	(178,605)
Other income		963,314	598,105	772,566	416,823
Profit from operations		3,850,716	2,091,150	4,031,988	2,215,334
Finance cost		(365,553)	(152,233)	(577,396)	(274,545)
Profit before taxation		3,485,163	1,938,917	3,454,592	1,940,789
Taxation	11	(816,092)	(337,099)	(541,292)	(466,387)
Profit after taxation		2,669,071	1,601,818	2,913,300	1,474,402
Earning per share (basic and diluted)	Rupees	6.09	3.66	6.65	3.37

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	2013		2012	
	July to December	October to December	July to December	October to December
	----Rupees in thousands----			
Income for the period	2,669,071	1,601,818	2,913,300	1,474,402
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Change in value of available-for-sale financial assets	4,728,591	2,670,986	4,312,815	2,316,664
Gain during the year transferred to profit and loss account on derecognition of shares	(972)	-	-	-
Other comprehensive income for the period	4,727,619	2,670,986	4,312,815	2,316,664
Total comprehensive income for the period	7,396,690	4,272,804	7,226,115	3,791,066

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	Note	July to December 2013 unaudited	July to December 2012 unaudited
		----(Rupees in thousand)----	
Cash flows from operating activities			
Cash generated from operations	13	3,928,953	3,535,558
Financial cost paid		(326,498)	(569,234)
Retirement and other benefits paid		(21,209)	(14,334)
Taxes paid		(186,574)	(182,464)
Long term deposits - net		1,493	(4,724)
Net cash generated from operating activities		3,396,165	2,764,802
Cash flows from investing activities			
Fixed capital expenditure		(1,545,807)	(1,771,582)
Proceeds from sale of property, plant and equipment		58,702	46,047
Investments made - net		(199,836)	(194,000)
Long term loans, advances and deposits - net		(9,426)	105,058
Interest received		2,387	72,072
Dividend received		791,900	713,048
Net cash used in investing activities		(902,080)	(1,029,357)
Cash flows from financing activities			
Proceeds from long term finances		-	800,000
Repayment of long term finances		(1,148,333)	(1,508,930)
Dividend Paid		(1,308,526)	(650,903)
Net cash used in financing activities		(2,456,859)	(1,359,833)
Net increase in cash and cash equivalents		37,226	375,612
Cash and cash equivalents at the beginning of the period		(4,951,409)	(6,305,026)
Cash and cash equivalents at the end of the period	14	(4,914,183)	(5,929,414)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

Rupees in thousands		Capital reserve			Revenue reserve		
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit	Total
Balance as at 30 June 2013 - Audited and restated	4,381,191	4,557,163	23,802,704	353,510	5,071,827	9,790,403	47,956,798
Total comprehensive income for the period							
- Profit for the period	-	-	-	-	-	2,669,071	2,669,071
- Other comprehensive income for the period	-	-	4,727,619	-	-	-	4,727,619
	-	-	4,727,619	-	-	2,669,071	7,396,690
Total Contributions by and distributions to owners of the Company recognized directly in equity							
- Final dividend for the year ended June 30, 2013 (Rs 3 per share)	-	-	-	-	-	(1,314,357)	(1,314,357)
Balance as at 31 December 2013 - Unaudited	4,381,191	4,557,163	28,530,323	353,510	5,071,827	11,145,117	54,039,131
Balance as at 30 June 2012 - Audited and restated	4,381,191	4,557,163	13,580,112	353,510	5,071,827	4,955,722	32,899,525
Total comprehensive income for the period							
- Profit for the period	-	-	-	-	-	2,913,300	2,913,300
- Other comprehensive income for the period	-	-	4,312,815	-	-	-	4,312,815
	-	-	4,312,815	-	-	2,913,300	7,226,115
Total Contributions by and distributions to owners of the Company recognized directly in equity							
- Final dividend for the year ended June 30, 2012 (Rs 1.5 per share)	-	-	-	-	-	(657,179)	(657,179)
Balance as at 31 December 2012 - Unaudited	4,381,191	4,557,163	17,892,927	353,510	5,071,827	7,211,843	39,468,461

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (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. Basis of preparation

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 provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half year ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2013, which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2013 except for the adoption of a new accounting policy referred to in note 3.3.1.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.3 Amendments to published standards effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 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 except for IAS 19 (Amendment), 'Employee Benefits'. The impact of this amendment on the condensed interim financial information is as follows:

3.3.1 Change in accounting policy

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after

January 01, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost in the profit and loss account and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, the corridor approach has been eliminated and a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of 'accumulated profit', 'deferred taxation' and 'retirement and other benefits' for the prior period presented. No actuarial assessment has been carried out for preparation of this condensed interim financial information.

Effects of change in accounting policy are as follows:

Effect of balance sheet

	As at June 30, 2013			As at June 30, 2012		
	Before Restatement	As restated	Restatement	Before Restatement	As restated	Restatement
	(Rupees in thousands)					
Increase in provision for gratuity	12,343	76,060	63,717	119,528	167,385	47,857
Decrease in deferred tax liability	3,167,039	3,144,738	(22,301)	1,666,069	1,649,319	(16,750)
Decrease in accumulated profit	9,831,819	9,790,403	(41,416)	4,986,829	4,955,722	(31,107)

Effect on other comprehensive income:

	As at June 30, 2013			As at June 30, 2012		
	Before Restatement	As restated	Restatement	Before Restatement	As restated	Restatement
	(Rupees in thousands)					
Actuarial losses recognized - net of tax	-	15,860	15,860	-	10,189	10,189

Effect on earnings per share (Rupees)

The restatement has no material impact on EPS of the Company.

The Company intends to carry out an actuarial valuation on June 30, 2014. Hence the resulting impact on these condensed interim financial information is not quantifiable and is also considered immaterial by the Company's management.

4. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. Long term finances

		December 31, 2013 unaudited	June 30, 2013 audited
		----(Rupees in thousand)----	
Long term loans	- note 5.1	3,299,414	4,327,841
Less: Current portion shown under current liabilities		1,387,541	1,428,654
		1,911,873	2,899,187

5.1 Long term loans

	December 31, 2013 unaudited	June 30, 2013 audited
Opening balance	4,327,841	6,785,851
Add: Disbursement during the period	-	800,000
Exchange loss during the period	119,906	115,346
	119,906	915,346
Less: Repayment during the period	1,148,333	3,373,356
Closing balance	3,299,414	4,327,841

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.

After various appeals at different forums, the Honourable Supreme Court remanded the case back to the Customs Authorities to reassess the liability of the company. The custom authorities re-determined the liability of the Company upon which the Company preferred an appeal to the Customs Appellate Tribunal. The Tribunal decided the case in favour of the Company, upon which the Company discharged all liabilities. However, the custom authorities preferred a reference to the Lahore High Court, Multan Bench. In case of any adverse decision, the management assesses liability to the tune of Rs 245.562 million. No provision for this amount 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, 2013 except for as mentioned above and letters of guarantees issued to various parties aggregating to Rs 892.865 million (June 30, 2013: Rs 837.327 million)

6.3 Commitments in respect of

(i) Contracts for capital expenditure Rs. 385.526 million (June 2013: Rs. 224.650 million)

(ii) Letters of credits for capital expenditure Rs. 214.940 million (June 2013: Rs. 666.128 million)

(iii) Letters of credit other than capital expenditure Rs. 272.147 million (June 2013: Rs. 1,537.405 million)

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	December 31, 2013 unaudited	June 30, 2013 audited
	----(Rupees in thousand)----	
Not later than one year	331	331
Later than one year and not later than five years	1,325	1,325
Later than five years	5,673	5,839
	7,329	7,495

7. Property, Plant and Equipment

Operating assets	- note 7.1	27,631,860	27,324,794
Capital work-in-progress	- note 7.2	1,767,690	1,416,180
		29,399,550	28,740,974

7.1 Operating assets

Opening book value		27,324,794	25,192,214
Add: Additions during the period	- note 7.1.1	1,194,297	3,750,420
Less: Disposals during the period - at book value		26,218	40,085
Less: Depreciation charged during the period		861,013	1,577,755
		887,231	1,617,840
Closing book value		27,631,860	27,324,794

	December 31, 2013 unaudited	June 30, 2013 audited
	----(Rupees in thousand)----	
7.1.1 Additions during the period		
Freehold land	3,890	70,369
Buildings on freehold land	182,126	433,313
Office building and housing colony	-	12,503
Roads	19,541	-
Plant and machinery	836,086	2,643,407
Quarry equipment	44,760	146,552
Furniture, fixtures and office equipment	10,668	31,285
Aircraft	-	328,752
Motor vehicles	87,027	83,857
Power and water supply lines	10,199	382
	1,194,297	3,750,420
7.2 Capital work-in-progress		
Civil works	441,699	306,123
Plant and machinery	1,096,210	977,982
Advances for capital expenditure	106,668	62,155
Unallocated expenditure	12,012	405
Expansion project:		
-Civil works	22,743	19,038
-Others	88,358	50,477
	111,101	69,515
	1,767,690	1,416,180

8. Intangible assets

	December 31, 2013 unaudited	June 30, 2013 audited
Opening book value	55,356	73,808
Less: Amortization charged during the period	9,226	18,452
Closing book value	46,130	55,356

9. Investments

	December 31, 2013 unaudited	June 30, 2013 audited
Cost of investments	3,081,130	2,781,150
Add : Cumulative fair value gain	28,530,323	23,802,704
Add : Purchase of new investment	200,000	300,000
Less: Disposal of investments	(423)	(20)
Less: Cumulative impairment losses recognized	(369,997)	(370,256)
	28,359,903	23,732,428
Total investments	31,441,033	26,513,578
Less: Investments classified in current assets	20,703,216	17,862,718
Closing balance	10,737,817	8,650,860

10. Cost of sales

	2013		2012	
	July to December	October to December	July to December	October to December
	----Rupees in thousands----			
Raw and packing materials consumed	1,000,381	516,541	955,293	480,779
Salaries, wages and other benefits	646,814	360,140	536,662	282,826
Electricity and gas	1,292,105	748,034	1,194,057	586,183
Furnace oil and coal	3,350,003	1,830,191	3,525,692	1,754,419
Stores and spares consumed	807,806	477,934	742,403	338,086
Repair and maintenance	158,556	74,982	112,988	57,259
Insurance	32,659	17,644	30,274	15,886
Depreciation on property, plant and equipment	807,735	413,040	727,009	366,395
Amortization on intangibles	6,458	3,229	6,458	3,229
Royalty	133,334	92,117	80,002	39,918
Excise duty	12,907	7,134	7,466	3,722
Vehicle running expenses	17,790	9,291	14,568	7,989
Postage, telephone and telegram	2,212	1,118	1,530	713
Printing and stationery	1,412	577	2,650	944
Legal and professional charges	1,076	713	867	302
Travelling and conveyance	7,941	3,894	12,853	7,099
Estate development	7,417	4,700	6,332	3,835
Rent, rates and taxes	15,483	7,410	11,901	6,094
Freight charges	3,505	2,018	3,747	2,392
Other expenses	12,007	6,133	17,378	8,090
Total manufacturing cost	8,317,601	4,576,840	7,990,130	3,966,160
Opening work-in-process	856,587	720,015	322,049	647,372
Closing work-in-process	(892,939)	(892,939)	(1,163,509)	(1,163,509)
	(36,352)	(172,924)	(841,460)	(516,137)
Cost of goods manufactured	8,281,249	4,403,916	7,148,670	3,450,023
Opening stock of finished goods	320,318	324,765	254,990	287,251
Closing stock of finished goods	(366,840)	(366,840)	(185,018)	(185,018)
	(46,522)	(42,075)	69,972	102,233
Less: Own consumption capitalized	(36,673)	(23,190)	(9,421)	(4,193)
	8,198,054	4,338,651	7,209,221	3,548,063

	2013 July to December	2013 October to December	2012 July to December	2012 October to December
	----Rupees in thousands----			

11. Taxation

	2013 July to December	2013 October to December	2012 July to December	2012 October to December
Current				
- For the year	54,073	16,080	76,113	91,547
- Prior years	4,939	4,939	-	-
	59,012	21,019	76,113	91,547
Deferred	757,080	316,080	465,179	374,840
	816,092	337,099	541,292	466,387

12. 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	July to December 2013 unaudited	July to December 2012 unaudited
		----(Rupees in thousand)----	
Subsidiary company	Purchase of goods and services	480,036	418,810
	Rental income	406	406
	Interest income	14,748	20,637
Other related parties	Purchase of goods and services	689,654	675,756
	Insurance premium	71,221	48,090
	Sale of goods	380,803	73,897
	Purchase of asset	-	328,751
	Mark-up income on balances with related parties	1,263	799
	Insurance claim received	21,505	-
	Dividend income	791,900	703,012
Key management personnel	Salaries and other employment benefits	64,905	54,799
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans (defined benefit and contributory funds)	59,667	43,714

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

	July to December 2013 unaudited	July to December 2012 unaudited
	----(Rupees in thousand)----	
13. Cash flow from operating activities		
Profit before tax	3,485,163	3,454,592
Adjustment for :		
- Depreciation on property, plant and equipment	861,013	765,282
- Profit on disposal of property, plant and equipment	(32,484)	(8,161)
- Profit on bank deposits	(2,413)	(1,308)
- Amortization on intangibles	9,226	9,226
- Dividend income	(791,900)	(713,048)
- Retirement and other benefits accrued	37,886	31,064
- Mark-up income	(15,485)	(21,436)
- Exchange loss - net	140,137	94,932
- Finance cost	365,553	577,396
- Unrealized gain on derivative financial instruments	(40,912)	-
Profit before working capital changes	4,015,784	4,188,539
Effect on cash flow due to working capital changes:		
- (Increase) / decrease in stores, spares and loose tools	(136,046)	475,850
- (Decrease) / Increase in stock-in-trade	20,840	(773,624)
- (Increase) / decrease in trade debts	(76,365)	37,800
- Increase in advances, deposits, prepayments and other receivables	(153,910)	(139,818)
- Decrease / (Increase) in trade and other payables	258,650	(253,189)
	(86,831)	(652,981)
Cash generated from operations	3,928,953	3,535,558
14. Cash and cash equivalents		
Short term borrowings - secured	(5,579,814)	(7,259,217)
Cash and bank balances	665,631	1,329,803
	(4,914,183)	(5,929,414)

15. Date of authorization for issue

This interim financial information was authorized for issue on February 12, 2014 by the Board of Directors of the Company.

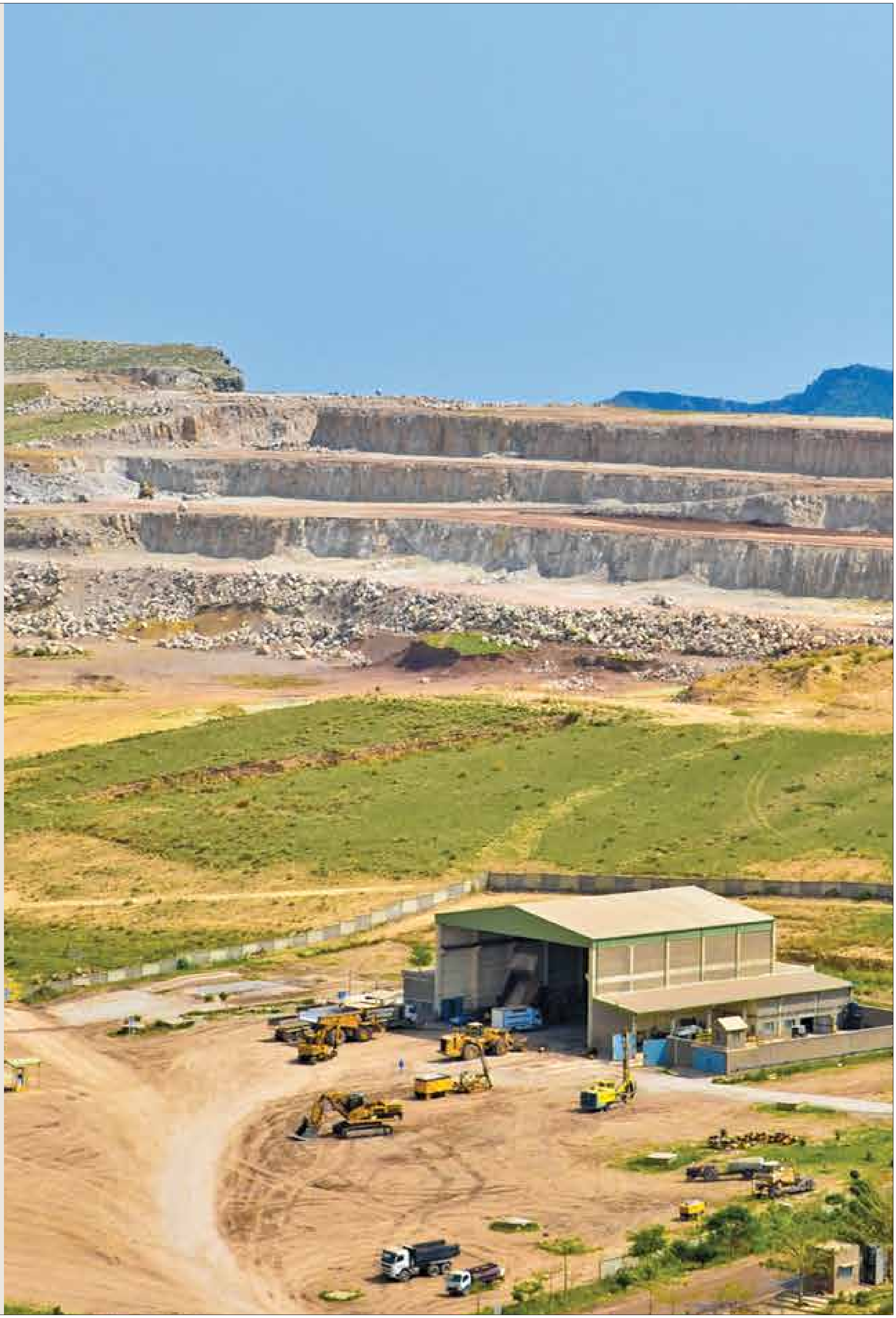
16. Corresponding figures

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

Chief Executive

Director

Consolidated Financial Statements



Directors' Rpeort

Half Year FY14

The Directors of your company are pleased to submit their report along with consolidated condensed interim financial statements for the Half Year ended on 31st December, 2013.

Pacific economies are expected to grow by 5.6 percent in 2014. Economic diversification and structural development is required for sustainable growth. Expected economic growth in Pakistan is between 3 to 4 percent. Inflation may jump to double digits. Food and energy prices are high and expected to rise further which will wipe out almost all income of poor and middle class thereby, leaving almost zero savings in most part of the population. Uncertainity in policies, poor law and order situation and insincere efforts are main cause of fragile and stagnant economy.

In the period under review NPPL performed comparatively well and posted profits. It is due to more sales volumes and reduction in cost of raw materials. Besides, sale price of paper bags also increased by about 9%. Separate report has been made available on affairs of holding company.

Here are the consolidated performance highlights for the half year FY14:

(PKR in thousands)

Particulars	HYFY14	HYFY13
Sales	12,932,727	12,241,034
Cost of Sales	8,607,610	7,602,374
Gross Profit	4,325,117	4,638,660
Administrative Cost	227,042	190,323
Selling Cost	747,826	894,455
Other Operating Cost	354,292	290,743
Other Income	950,181	752,980
Operational Income	3,946,138	4,016,119
Finance Cost	449,774	624,366
Income before Tax	3,496,364	3,391,753
Taxation	832,508	565,292
Net Profit	2,663,856	2,826,461

Going forward we anticipate that economy will strive to breakthrough its stagnancy provided the government steps towards it practically and with sincerity. We further look ahead that holding and subsidiary will keep on producing the desireable results together.

We register our appreciation for our committed employees and patronage of our customers.

Mian Raza Mansha
Chief Executive Officer

Lahore: February 12, 2014

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Note	31 December, 2013 unaudited	30 June 2013 audited (re-stated)
		----(Rupees in thousand)----	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (30 June 2013: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (30 June 2013: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital 438,119,119 (June 30, 2013: 438,119,119) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		38,551,847	33,824,228
Accumulated profit		11,138,257	9,786,150
		54,071,295	47,991,569
Non-controlling interest		273,341	275,949
		54,344,636	48,267,518
NON-CURRENT LIABILITIES			
Long term finances	5	2,291,873	3,117,937
Long term deposits		66,876	65,383
Retirement and other benefits		174,867	153,020
Deferred taxation		3,874,990	3,110,893
		6,408,606	6,447,233
CURRENT LIABILITIES			
Trade and other payables		2,894,818	2,464,828
Accrued markup		166,097	145,940
Short term borrowing-secured		6,425,549	6,388,501
Current portion of non-current liabilities		1,483,749	1,471,282
Provision for taxation		35,090	35,090
		11,005,303	10,505,641
CONTINGENCIES AND COMMITMENTS	6		
		71,758,545	65,220,392

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Chief Executive

AS AT DECEMBER 31, 2013

	Note	31 December, 2013 unaudited	30 June 2013 audited (re-stated)
		----(Rupees in thousand)----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	30,402,108	29,764,372
Intangible assets	8	46,130	55,356
Investments	9	10,534,188	8,447,231
Long term loans, advances and deposits		105,867	96,441
		41,088,293	38,363,400
CURRENT ASSETS			
Stores, spares and loose tools		4,316,279	4,187,541
Stock-in-trade		2,485,425	2,219,664
Trade debts		672,263	481,889
Investments	9	20,703,239	17,862,741
Advances, deposits, prepayments and other receivables		651,560	418,338
Income tax receivable		1,124,084	1,185,693
Derivative financial instrument		42,749	1,837
Cash and bank balances		674,653	499,289
		30,670,252	26,856,992
		71,758,545	65,220,392

Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	Note	2013		2012	
		July to December	October to December	July to December	October to December
		----Rupees in thousands----			
Sales		12,932,727	6,895,711	12,241,034	6,168,524
Cost of sales	10	(8,607,610)	(4,596,905)	(7,602,374)	(3,755,422)
Gross profit		4,325,117	2,298,806	4,638,660	2,413,102
Administrative expenses		(227,042)	(118,502)	(190,323)	(115,138)
Selling and distribution expenses		(747,826)	(423,745)	(894,455)	(315,855)
Other operating expenses		(354,292)	(173,255)	(290,743)	(178,402)
Other income		950,181	593,585	752,980	406,094
Profit from operations		3,946,138	2,176,889	4,016,119	2,209,801
Finance cost		(449,774)	(204,874)	(624,366)	(301,407)
Profit before taxation		3,496,364	1,972,015	3,391,753	1,908,394
Taxation	11	(832,508)	(360,989)	(565,292)	(498,187)
Profit after taxation		2,663,856	1,611,026	2,826,461	1,410,207
Attributable to:					
Equity holders of the parent		2,666,464	1,606,422	2,869,881	1,442,305
Non-controlling interest		(2,608)	4,604	(43,420)	(32,098)
		2,663,856	1,611,026	2,826,461	1,410,207
Earning per share					
(basic and diluted)	Rupees	6.08	3.68	6.45	3.22

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Chief Executive

Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	2013		2012	
	July to December	October to December	July to December	October to December
	----Rupees in thousands----			
Income for the period	2,663,856	1,611,026	2,826,461	1,410,207
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Change in value of available-for-sale financial assets	4,728,591	2,670,986	4,312,815	2,316,664
Gain during the year transferred to profit and loss account on derecognition of shares	(972)	-	-	-
Other comprehensive income for the period	4,727,619	2,670,986	4,312,815	2,316,664
Total comprehensive income for the period	7,391,475	4,282,012	7,139,276	3,726,871
Attributable to:				
Equity holders of the parent	7,394,083	4,277,408	7,182,696	3,758,969
Non-controlling interest	(2,608)	4,604	(43,420)	(32,098)
	7,391,475	4,282,012	7,139,276	3,726,871

The annexed notes 1 to 17 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, 2013 (UN-AUDITED)

	Note	July to December 2013 unaudited	July to December 2012 unaudited
		----(Rupees in thousand)----	
Cash flows from operating activities			
Cash generated from operations	13	3,651,016	3,696,065
Financial cost paid		(346,608)	(631,926)
Retirement and other benefits paid		(21,209)	(14,345)
Taxes paid		(6,802)	(256,647)
Long term deposits - net		1,493	(4,724)
Net cash generated from operating activities		3,277,890	2,788,423
Cash flows from investing activities			
Fixed capital expenditure		(1,546,442)	(1,939,780)
Proceeds from sale of property, plant and equipment		58,702	46,047
Investments made - net		(199,836)	(194,000)
Long term loans, advances and deposits - net		(9,426)	16,209
Interest received		2,387	68,855
Dividend received		791,900	713,048
Net cash used in investing activities		(902,715)	(1,289,621)
Cash flows from financing activities			
Proceeds from long term finances		220,000	1,050,000
Repayment of long term finances		(1,148,333)	(1,538,930)
Dividend Paid		(1,308,526)	(657,168)
Net cash used in financing activities		(2,236,859)	(1,146,098)
Net increase in cash and cash equivalents		138,316	352,704
Cash and cash equivalents at the beginning of the period		(5,889,212)	(7,096,955)
Cash and cash equivalents at the end of the period	14	(5,750,896)	(6,744,251)

The annexed notes 1 to 17 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, 2013 (UN-AUDITED)

Rupees in thousands		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
Balance as at 30 June 2013 - Audited and restated	4,381,191	4,557,163	23,802,704	353,510	5,110,851	9,786,150	47,991,569	275,949	48,267,518
Total comprehensive income for the period									
- Profit for the period	-	-	-	-	-	2,666,464	2,666,464	(2,608)	2,663,856
- Other comprehensive income for the period	-	-	4,727,619	-	-	-	4,727,619	-	4,727,619
	-	-	4,727,619	-	-	2,666,464	7,394,083	(2,608)	7,391,475
Total Contributions by and distributions to owners of the Company recognized directly in equity									
- Final dividend for the year ended June 30, 2013 (Rs 3 per share)	-	-	-	-	-	(1,314,357)	(1,314,357)	-	(1,314,357)
Balance as at 31 December 2013 - Unaudited	4,381,191	4,557,163	28,530,323	353,510	5,110,851	11,138,257	54,071,295	273,341	54,344,636
Balance as at 30 June 2012 - Audited and restated	4,381,191	4,557,163	13,580,112	353,510	5,110,851	5,005,784	32,988,611	330,265	33,318,876
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
	-	-	4,312,815	-	-	2,869,881	7,182,696	(43,420)	7,139,276
Total Contributions by and distributions to owners of the Company recognized directly in equity									
- Final dividend for the year ended June 30, 2012 (Rs 1.5 per share)	-	-	-	-	-	(657,179)	(657,179)	-	(657,179)
Balance as at 31 December 2012 - Unaudited	4,381,191	4,557,163	17,892,927	353,510	5,110,851	7,218,486	39,514,128	286,845	39,800,973

The annexed notes 1 to 17 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 FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

1. Legal status and nature of business

The group comprises of:
- D. G. Khan Cement Company Limited, the parent company; and
- Nishat Paper Products Company Limited, the subsidiary company.

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

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

2. Basis of preparation

This 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 provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half year ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2013, which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2013 except for the adoption of a new accounting policy referred to in note 3.3.1.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.3 Amendments to published standards effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 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 except for IAS 19 (Amendment), 'Employee Benefits'. The impact of this amendment on the condensed interim financial information is as follows:

3.3.1 Change in accounting policy

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost in the profit and loss account and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, the corridor approach has been eliminated and a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of 'accumulated profit', 'deferred taxation' and 'retirement and other benefits' for the prior period presented. No actuarial assessment has been carried out for preparation of this condensed interim financial information.

Effect of balance sheet

	As at June 30, 2013			As at June 30, 2012		
	Before Restatement	As restated	Restatement	Before Restatement	As restated	Restatement
	(Rupees in thousands)					
Increase in provision for gratuity	12,343	76,060	63,717	119,528	167,385	47,857
Decrease in deferred tax liability	3,167,039	3,144,738	(22,301)	1,666,069	1,649,319	(16,750)
Decrease in accumulated profit	9,831,819	9,790,403	(41,416)	4,986,829	4,955,722	(31,107)

Effect on other comprehensive income

	As at June 30, 2013			As at June 30, 2012		
	Before Restatement	As restated	Restatement	Before Restatement	As restated	Restatement
	(Rupees in thousands)					
Actuarial losses recognized - net of tax	-	15,860	15,860	-	10,189	10,189

Effect on earnings per share (Rupees)

The restatement has no material impact on EPS of the Company.

The Company intends to carry out an actuarial valuation on June 30, 2014. Hence the resulting impact on these condensed interim financial information is not quantifiable and is also considered immaterial by the Company's management.

4. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

		December 31, 2013 unaudited	June 30, 2013 audited
		----(Rupees in thousand)----	
5. Long term finances			
Long term loans	- note 5.1	3,769,414	4,577,841
Less: Current portion shown under current liabilities		1,477,541	1,459,904
		2,291,873	3,117,937
5.1 Long term loans			
Opening balance		4,577,841	6,885,851
Add: Disbursements during the period		220,000	800,000
Exchange loss during the period		119,906	154,102
		339,906	954,102
Less: Repayment during the period		1,148,333	3,262,112
Closing balance		3,769,414	4,577,841

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.

After various appeals at different forums, the Honourable Supreme Court remanded the case back to the Customs Authorities to reassess the liability of the company. The custom authorities re-determined the liability of the Company upon which the Company preferredan appeal to the Customs Appellate Tribunal. The Tribunal decided the case in favour of the Company, upon which the Company discharged all liabilities. However, the custom authorities preferred a reference to the Lahore High Court, Multan Bench. In case of any adverse decision, the management assesses liability to the tune of Rs 245.562

million. No provision for this amount 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, 2013 except for as mentioned above and letters of guarantees issued to various parties aggregating to Rs 892.865 million (June 30, 2013: Rs 837.327 million)

6.3 Commitments in respect of

(i) Contracts for capital expenditure Rs. 385.526 million (June 2013: Rs. 224.650 million)

(ii) Letters of credits for capital expenditure Rs. 214.940 million (June 2013: Rs. 666.128 million)

(iii) Letters of credit other than capital expenditure Rs. 653.053 million (June 2013: Rs. 1,844.562 million)

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	December 31, 2013 unaudited	June 30, 2013 audited
	----(Rupees in thousand)----	
Not later than one year	331	331
Later than one year and not later than five years	1,325	1,325
Later than five years	5,673	5,839
	7,329	7,495

7. Property, Plant and Equipment

		December 31, 2013	June 30, 2013
Operating assets	- note 7.1	28,634,418	28,348,192
Capital work-in-progress	- note 7.2	1,767,690	1,416,180
		30,402,108	29,764,372

7.1 Operating assets

		December 31, 2013	June 30, 2013
Opening book value		28,348,192	26,076,700
Add: Additions during the period	- note 7.1.1	1,194,932	3,929,847
Less: Disposals during the period - at book value		26,218	40,142
Less: Depreciation charged during the period		882,488	1,618,213
		908,706	1,658,355
Closing book value		28,634,418	28,348,192

	December 31, 2013 unaudited	June 30, 2013 audited
	----(Rupees in thousand)----	
7.1.1 Additions during the period		
Freehold land	3,890	70,369
Buildings on freehold land	182,126	436,745
Office building and housing colony	-	12,503
Roads	19,54	-
Plant and machinery	836,250	2,819,309
Quarry equipment	44,760	146,552
Furniture, fixtures and office equipment	11,139	31,310
Aircraft	-	328,752
Motor vehicles	87,027	83,925
Power and water supply lines	10,199	382
	1,194,932	3,929,847
7.2 Capital work-in-progress		
Civil works	441,699	306,123
Plant and machinery	1,096,210	977,982
Advances for capital expenditure	106,668	62,155
Unallocated expenditure	12,012	405
Expansion project:		
-Civil works	22,743	19,038
-Others	88,358	50,477
	111,101	69,515
	1,767,690	1,416,180

8. Intangible assets

Opening book value	55,356	73,808
Less: Amortization charged during the period	9,226	18,452
Closing book value	46,130	55,356

9. Investments

Cost of investments	2,877,524	2,577,544
Add : Cumulative fair value gain	28,530,323	23,802,704
Add : Purchase of new investment	200,000	300,000
Less: Disposal of investments	(423)	(20)
Less: Cumulative impairment losses recognized	(369,997)	(370,256)
	28,359,903	23,732,428
Total investments	31,237,427	26,309,972
Less: Investments classified in current assets	20,703,239	17,862,741
Closing balance	10,534,188	8,447,231

	2013		2012	
	July to December	October to December	July to December	October to December
	----Rupees in thousands----			
10. Cost of sales				
Raw and packing materials consumed	1,375,050	729,141	1,307,935	660,959
Salaries, wages and other benefits	660,611	367,150	548,704	288,869
Electricity and gas	1,292,107	751,062	1,194,545	581,877
Furnace oil and coal	3,350,003	1,825,466	3,525,692	1,754,419
Stores and spares consumed	821,916	486,107	758,608	341,390
Repair and maintenance	164,785	78,761	113,526	57,485
Insurance	35,235	18,925	32,857	17,170
Depreciation on property, plant and equipment	829,141	426,269	741,255	371,550
Lease rentals - Ijara financing	-	-	15,919	7,962
Amortization on intangibles	6,458	3,229	6,458	3,229
Royalty	133,334	92,117	80,002	39,918
Excise duty	12,907	7,134	7,466	3,722
Vehicle running expenses	18,094	9,435	14,753	8,074
Postage, telephone and telegram	2,224	1,120	1,542	723
Printing and stationery	1,414	579	2,652	944
Legal and professional charges	1,176	713	967	402
Travelling and conveyance	8,248	3,919	12,853	7,099
Estate development	7,417	4,700	6,332	3,835
Rent, rates and taxes	15,508	7,421	12,639	6,629
Freight charges	3,683	2,145	3,847	2,407
Other expenses	12,133	6,224	17,592	8,149
Total manufacturing cost	8,751,444	4,821,617	8,406,144	4,166,812
Opening work-in-process	856,587	720,015	322,049	647,372
Closing work-in-process	(892,939)	(892,939)	(1,163,509)	(1,163,509)
	(36,352)	(172,924)	(841,460)	(516,137)
Cost of goods manufactured	8,715,092	4,648,693	7,564,684	3,650,675
Opening stock of finished goods	368,948	411,159	300,619	362,448
Closing stock of finished goods	(439,757)	(439,757)	(253,508)	(253,508)
	(70,809)	(28,598)	47,111	108,940
Less: Own consumption capitalized	(36,673)	(23,190)	(9,421)	(4,193)
	8,607,610	4,596,905	7,602,374	3,755,422

	2013		2012	
	July to December	October to December	July to December	October to December
	----Rupees in thousands----			
11. Taxation				
Current				
- For the year	63,471	22,141	84,113	95,847
- Prior years	4,939	4,939	-	-
	68,410	27,080	84,113	95,847
Deferred	764,098	333,909	481,179	402,340
	832,508	360,989	565,292	498,187

12. 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	July to December 2013 unaudited	July to December 2012 unaudited
		----(Rupees in thousand)----	
Other related parties	Purchase of goods and services	689,654	675,756
	Insurance premium	71,221	48,090
	Sale of goods	380,803	73,897
	Purchase of asset	-	328,751
	Mark-up income on balances with related parties	1,263	799
	Insurance claim received	21,505	-
	Dividend income	791,900	703,012
Key management personnel	Salaries and other employment benefits	64,905	54,799
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	59,667	43,714

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

		July to December 2013 unaudited	July to December 2012 unaudited
		----(Rupees in thousand)----	
13.	**Cash flow from operating activities**		
	Profit before tax	3,496,364	3,391,753
	Adjustment for :		
	- Depreciation on property, plant and equipment	882,488	784,113
	- Profit on disposal of property, plant and equipment	(32,484)	(8,161)
	- Profit on bank deposits	(2,413)	-
	- Amortization on intangibles	9,226	9,226
	- Dividend income	(791,900)	(713,048)
	- Retirement and other benefits accrued	37,886	31,064
	- Mark-up income	(15,485)	(21,436)
	- Exchange loss - net	140,137	75,329
	- Finance cost	365,553	624,366
	- Unrealized gain on derivative financial instruments	(40,912)	-
	Profit before working capital changes	4,048,460	4,173,206
	Effect on cash flow due to working capital changes:		
	- (Increase) / decrease in stores, spares and loose tools	(128,738)	476,103
	- (Decrease) / Increase in stock-in-trade	(265,761)	(692,016)
	- (Increase) / decrease in trade debts	(176,309)	35,984
	- Increase in advances, deposits, prepayments and other receivables	(217,711)	(92,644)
	- Decrease / (Increase) in trade and other payables	391,075	(204,568)
		(397,444)	(477,141)
	Cash generated from operations	3,651,016	3,696,065
14.	**Cash and cash equivalents**		
	Short term borrowings - secured	(6,425,549)	(8,192,486)
	Cash and bank balances	674,653	1,448,235
		(5,750,896)	(6,744,251)

15. 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.

15.1 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 2013	July to December 2012	July to December 2013	July to December 2012	July to December 2013	July to December 2012	July to December 2013	July to December 2012
Revenue from								
- External Customers	12,403,223	11,825,821	529,504	415,213	-	-	12,932,727	12,241,034
- Inter-group	-	-	410,287	365,784	(410,287)	(365,784)	-	-
	12,403,223	11,825,821	939,791	780,997	(410,287)	(365,784)	12,932,727	12,241,034
Segment gross profit	4,205,169	4,616,600	137,199	22,197	(17,251)	(137)	4,325,117	4,638,660
Segment expenses	(1,317,767)	(1,357,178)	(11,393)	(9,218)	-	(9,125)	(1,329,160)	(1,375,521)
Other income	963,314	772,566	2,021	1,863	(15,154)	(21,449)	950,181	752,980
Financial charges	(365,553)	(577,396)	(98,969)	(77,137)	14,748	30,167	(449,774)	(624,366)
Taxation	(816,092)	(541,292)	(16,416)	(24,000)	-	-	(832,508)	(565,292)
Profit after taxation	2,669,071	2,913,300	12,442	(86,295)	(17,657)	(544)	2,663,856	2,826,461
Depreciation	861,013	765,282	16,438	18,831	5,037	-	882,488	784,113
Capital expenditure	(1,545,807)	(1,771,582)	(637)	(168,198)	2	-	(1,546,442)	(1,939,780)
Cash to operations	3,396,165	2,764,802	(119,490)	53,788	1,215	(30,167)	3,277,890	2,788,423
Cash from investing	(902,080)	(1,029,357)	581	(281,713)	(1,216)	21,449	(902,715)	(1,289,621)
	December 2013 unaudited	June 2013 audited	December 2013 unaudited	June 2013 audited	December 2013 unaudited	June 2013 audited	December 2013 unaudited	June 2013 audited
Segment assets	69,853,231	63,526,719	2,266,408	1,930,009	(361,094)	(236,336)	71,758,545	65,220,392
Segment liabilities	15,814,100	15,569,921	1,972,865	1,648,907	(373,056)	(265,954)	17,413,909	16,952,874

15.2 Geographical segments

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

16. Date of authorization for issue

This interim financial information was authorized for issue on February 12, 2014 by the Board of Directors of the Company.

17. Corresponding figures

In order to comply with the requirements of 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 financial year, whereas, the condensed interim consolidted 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 financial year.

Chief Executive

Director

D.G. KHAN CEMENT COMPANY LIMITED
Nishat House, 53-A, Lawrence Road, Lahore-Pakistan.
UAN: +92-42-111-11-33-33

VERSATILE Ph: +92 42 3712 1920