



D.G. Khan Cement Company Limited
First Quarter Report, September 30, 2014 (Un-audited)

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D.G Khan Cement Company Limited

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Company Profile

Board of Directors	Mrs. Naz Mansha Mian Raza Mansha Mr. Khalid Niaz Khawaja Mr. Khalid Qadeer Qureshi Mr. Farid Noor Ali Fazal Mr. Shahzad Ahmad Malik Ms. Nabiha Shahnawaz Cheema	Chairperson Chief Executive
Audit Committee	Mr. Khalid Niaz Khawaja Mr. Khalid Qadeer Qureshi 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
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	
Share Registrar	THK Associates (Pvt) Ltd Head Office, Karachi Ground Floor, State Life Building No. 3, Dr. Zia Uddin Ahmed Road, Karachi Tel: (021) 111 000 322 Fax: (021) 35655595 Branch Office, Lahore 2nd Floor, DYL Motorcycles Ltd. Office Building, Plot No. 346 Block No. G-III, KhokarChowk, Main Boulevard, Johar Town, Lahore Tel: (042) 35290577, Fax (042) 35290667	

Directors' Report

First Quarter of Financial Year 2015

The directors of your company are pleased to present their report on financial statements for Q1 of FY15.

Already political crisis, intensified with prolonged sit-ins, is not showing any signs of pacification yet. This crafted a sense of ambiguity in the country on account of political setup and its policies. There exist shortfall in country's income and expense. Need of the hour is to reduce this fiscal shortfall by revenue raising measures rather than reducing and cutting development expenditures. In Doing Business report by world bank group various factors are considered like ease of doing business, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. These factors could be ascertained as guiding lines for those responsible as a start up gear. According to World Bank statistics Pakistan ranked at 25th place in terms of GDP volume so it could be believed that there are tremendous opportunities to grow.

Inflation rose during this quarter. SBP discount rate remained at 10% and 6M KIBOR remained almost stable during this quarter. While PKR/USD parity dropped to 102.70 from 98.75 during this quarter which is about 4% decline.

Cement industry of country showed a good growth of about 10% in local despatches in comparison with same period of last financial year while there is decline in exports of 8% and overall there is growth of 5%. Cement industry achieved about 73% utilization level as compared to about 70% of comparing period and

this would be highest if we compare the same periods of last three years.

Highlights of financial and operational results of your company for first quarter of FY15 are as under:

PKR in thousands

	Q1FY15	Q1FY14
Sales	5,811,545	5,854,073
Cost of sales	(3,985,511)	(3,859,403)
Gross profit	1,826,034	1,994,670
Administrative expenses	(119,403)	(107,232)
Selling and distribution expenses	(208,972)	(320,965)
Other operating expenses	(226,016)	(172,116)
Other income	436,857	365,209
Profit/(Loss) from operations	1,708,500	1,759,566
Finance cost	(66,695)	(213,320)
Profit before taxation	1,641,805	1,546,246
Taxation	(484,366)	(478,993)
Profit after taxation	1,157,439	1,067,253
Earning per share basic and diluted	2.64	2.44

Figures in MT

	Q1FY15	Q1FY14
Clinker Production	657,274	773,195
Cement Production	839,501	897,170
Total Sales	869,497	920,479
Local Sales	675,775	624,122
Export Sales	193,722	296,357

Company clinker and cement production dropped by 15% and 6% respectively. Local sales rose by 8% while exports sales dropped by massive 35% making total cement sales dipped by 5.5% when compared with same period of last FY in volumetric terms.



Clinker production utilization is about 65% while that of cement production is 80% as compared to 77% and 85% respectively

in comparison period. Despatch wise utilization remained 82% as compared to 86% of same period in last FY.

	Q1FY15		Q1FY14		Change	
	MT	PKR in millions (Gross)	MT	PKR in millions (Gross)	MT	PKR in millions (Gross)
Local Sales	675,775	6,100	624,122	5,428	51,653	672
Exports Sales	193,722	1,063*	296,357	1,655*	(102,635)	(592)
Total	869,497	7,163	920,479	7,083	(50,982)	80

**Exports sales value is taken here without rebate*

Sales dropped by 0.73% in value while cost of sales increased by about 3%. Gross profit decreased by about 8.5%. Coal and furnace oil charges decreased by 24% due to kiln closures. Average plant operational days for quarter under review are about 45 days as compared to 64 days of comparison period due to maintenance. This plant closure and resultant low production is main cause of apportionment of fixed cost thereby reduction in GP. During this quarter the torrential rains and flooding caused disruption in supply from our DG Khan site for about 10 days. Ramadan and Eid events, as usual, slowed down the construction pace in this quarter with combined effect of moonsoon. GIDC amounting to PKR 273 million, which was reversed in FY14 annual financials based on verdict of Honourable Supreme Court of Pakistan, is now being booked in running year in twelve monthly portions upon the promulgation of ordinance by government for its reinstatement. In addition to that, in respect of GIDC of PKR 31 million for first quarter, the company challenged the SRO in Honourable Lahore High Court and a stay has been granted. However, company is booking the disputed amount as provision on prudent basis. Reduction in exports volume made selling expenses to drop by about 35%. Low export margins and PKR/USD parity are affecting exports. Other income increased by about 19.6%. This includes PKR 358 million of

dividend income. Other operating expenses increased by about 31% which is due to exchange loss of PKR 136m booked in under-review quarter as compared to that of PKR 89m in comparison period. This exchange loss is incurred on foreign currency borrowings and imports. Good cash flows reduced finance cost by about 69%. Due to depleted tax losses, current taxation expense increased and is provided for in the accounts on proportionate basis.

Market capitalization of DGKC was PKR 35 billion on close of quarter. During the quarter market capitalization of your company touched PKR 40 billion in July.

We foresee that second quarter will be better than this one. Prices of cement are expected to remain stable in upcoming quarter. Rehabilitation of flood affected areas may add a little to sales. Pre-winter construction activity is expected to provide healthy signs in production, plant operation and sales. South African anti dumping case investigations are in progress there with authorities. Imposition of anti dumping duty would jeopardise cement exports to South Africa. Exports may remain depressed due to tough price competition in African market. Low levels of financing lines will keep markup expense low.



At Hub project ground leveling work is in progress. Negotiations are underway with various plant suppliers. Owing to expected shortfall in gas supply and increase in power tariffs your company has decided to be self sufficient in low cost energy solutions. Therefore, your company has decided to put up a 30MW coal fired captive power plant at its DG Khan site. This project is expected to provide low cost uninterrupted power to run the plant without any dependency on national grid, gas supply and furnace oil usage. This project is expected to be completed within a period of 15-20 months. BOD has approved the agreement with the supplier for signing.

We admire support of all stake holders including our customers, suppliers, lenders and appreciate all our employees for their untiring efforts.

For and on behalf of the Board



Mian Raza Mansha
Chief Executive Officer

October 24, 2014

CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET

		September 2014	June 2014
	Note	unaudited	audited
		---(Rupees in thousand)---	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2014: 950,000,000)			
ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2014: 50,000,000)			
preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital		4,381,191	4,381,191
Reserves		41,012,250	42,705,394
Accumulated profit		15,587,389	14,429,950
		<u>60,980,830</u>	<u>61,516,535</u>
NON-CURRENT LIABILITIES			
Long term finances	5	1,317,849	1,321,009
Long term deposits		69,376	68,970
Retirement and other benefits		105,334	200,187
Deferred taxation		4,473,565	4,234,805
		<u>5,966,124</u>	<u>5,824,971</u>
CURRENT LIABILITIES			
Trade and other payables		2,992,276	2,476,304
Accrued markup		45,549	59,417
Short term borrowing-secured		3,801,938	2,551,676
Current portion of non-current liabilities		768,469	803,174
Derivative financial instrument		7,551	14,902
Provision for taxation		35,090	35,090
		<u>7,650,873</u>	<u>5,940,563</u>
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		<u>74,597,827</u>	<u>73,282,069</u>

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


Chief Executive



AS AT SEPTEMBER 30, 2014

		September 2014 unaudited	June 2014 audited
	Note	----(Rupees in thousand)----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	29,408,688	29,832,625
Intangible assets		32,291	36,904
Investments	8	11,181,268	11,258,370
Long term loans, advances and deposits		85,561	85,544
		40,707,808	41,213,443
 CURRENT ASSETS			
Stores, spares and loose tools		5,259,680	3,688,795
Stock-in-trade		822,867	1,348,742
Trade debts		164,138	168,769
Investments	8	25,740,679	24,405,153
Advances, deposits, prepayments and other receivables		1,140,485	764,140
Income tax receivable		377,022	384,001
Cash and bank balances		385,148	1,309,026
		33,890,019	32,068,626
		74,597,827	73,282,069

Said Sajal
Director



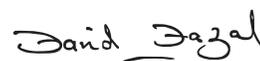
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

	Note	July to September	
		2014	2013
		---(Rupees in thousand)---	
Sales		5,811,545	5,854,073
Cost of sales	9	(3,985,511)	(3,859,403)
Gross profit		1,826,034	1,994,670
Administrative expenses		(119,403)	(107,232)
Selling and distribution expenses		(208,972)	(320,965)
Other operating expenses		(226,016)	(172,116)
Other income		436,857	365,209
Profit from operations		1,708,500	1,759,566
Finance cost		(66,695)	(213,320)
Profit before taxation		1,641,805	1,546,246
Taxation			
- Deferred Tax		(109,366)	(441,000)
- Current Tax		(375,000)	(37,993)
		(484,366)	(478,993)
Profit after taxation		1,157,439	1,067,253
Earning per share basic and diluted		2.64	2.44

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



Chief Executive



Director



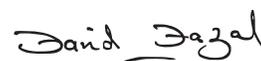
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	July to September	
	2014	2013
	----(Rupees in thousand)----	
Profit after taxation	1,157,439	1,067,253
Available for sale financial assets - Change in fair value	(1,693,144)	2,057,605
Other comprehensive (loss)/ income for the period	(1,693,144)	2,057,605
Total comprehensive (loss)/ income for the period	(535,705)	3,124,858

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



Chief Executive



Director



CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

	Note	July to September	
		2014	2013
		---(Rupees in thousand)---	
Cash (used in)/ generated from operations	11	943,228	1,925,726
Financial cost paid		(80,563)	(207,630)
Retirement and other benefits paid.		(115,263)	(13,946)
Taxes paid		(238,627)	(89,836)
Long term deposits - net		406	1,425
Net cash (used in)/ from operating activities [A]		509,181	1,615,739
Capital expenditure including purchase of property, plant and equipment		(39,216)	(874,267)
Proceeds from sale of property, plant and equipment		3,788	1,118
Long term loans and deposits - net		(17)	(4,384)
Investment in equity instruments		(2,951,568)	-
Interest received		38,847	60
Dividend received		357,970	325,432
Net cash from/ (used in) investing activities [B]		(2,590,196)	(552,041)
Repayment of long term finances		(93,125)	(1,005,417)
Net cash from/ (used in) financing activities [C]		(93,125)	(1,005,417)
In(De)crease in cash and cash equivalents [A+B+C]		(2,174,140)	58,281
Cash and cash equivalents at the beginning of period		(1,242,650)	(4,951,409)
Cash and cash equivalents at the end of period	12	(3,416,790)	(4,893,128)

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



Chief Executive



Director



CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

	Capital reserve				Revenue reserve			Total
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit		
Rupees in thousands								
Balance as at June 30, 2014 - Audited	4,381,191	4,557,163	32,722,894	353,510	5,071,827	14,429,950		61,516,535
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	1,157,439		1,157,439
- Other comprehensive loss for the period	-	-	(1,693,144)	-	-	-		(1,693,144)
Balance as at September 30, 2014 - Unaudited	4,381,191	4,557,163	31,029,750	353,510	5,071,827	15,587,389		60,980,830
Balance as at June 30, 2013 - Audited	4,381,191	4,557,163	23,802,704	353,510	5,071,827	9,831,819		47,998,214
Effect of change in accounting policy	-	-	-	-	-	(41,416)		(41,416)
Balance as at June 30, 2013 (re-stated)	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	-	-	-	-	-	1,067,253		1,067,253
- Other comprehensive income for the period	-	-	2,057,605	-	-	-		2,057,605
Balance as at September 30, 2013 - Unaudited	4,381,191	4,557,163	25,860,309	353,510	5,071,827	10,857,656		51,081,656

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



Chief Executive



Director

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL INFORMATION-UNAUDITED

1. Legal status and nature of business

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

2. Basis of preparation

The unaudited condensed interim unconsolidated financial information (hereafter "interim financial information") for the quarter has been prepared and is being submitted to shareholders in accordance with the provisions contained in section 245 of the Companies Ordinance, 1984 and the pronouncements of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. The interim financial information does not include all of the information required for full annual financial statements and accordingly, should be read in conjunction with the annual financial statements for the year ended June 30, 2014 as they provide an update of previously reported information.

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

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

3. Significant accounting policies

3.1 The accounting policies and methods of computation adopted in the preparation of the interim financial information are generally based on the same policies and methods as applied in preparation of the annual financial statements for the year ended June 30, 2014.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting period beginning from July 1, 2014 but are not considered 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.

4. The provision for taxation for the quarter September 30, 2014 has been made on an estimated basis.

		September 30, 2014	June 30, 2014
	Note	unaudited	audited
		----(Rupees in thousand)----	
5. Long term finances			
These are composed of:			
- Long term loans		1,754,898	1,941,513
- Loan under musharika arrangement		318,750	170,000
	5.1	<u>2,073,648</u>	<u>2,111,513</u>
Less: Current portion shown under current liabilities		755,799	790,504
		<u>1,317,849</u>	<u>1,321,009</u>
5.1 Long term loans			
Opening balance		2,111,513	4,327,841
Add: Exchange loss during the period		55,260	15,961
		<u>2,166,773</u>	<u>4,343,802</u>
Less: Repayment during the period		93,125	2,232,289
Closing balance		<u>2,073,648</u>	<u>2,111,513</u>

6. Contingencies and commitments

6.1 Contingencies

There is no significant change in contingencies from the annual financial statements of the company for the year ended June 30, 2014.

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 255.646 million (June 30, 2014: Rs 260.371 million).
- (ii) Letters of credit for capital expenditure Rs 78.126 million (June 30, 2014: Rs 65.992 million).
- (iii) Letters of credit other than capital expenditure Rs 180.739 million (June 30, 2014: Rs 1,212.026 million).

		September 30, 2014	June 30, 2014
		unaudited	audited
		----(Rupees in thousand)----	
7. Property, Plant and Equipment			
Opening book value		28,951,966	27,324,794
Add: Additions during the period/ year	7.1	96,484	3,465,403
		<u>29,048,450</u>	<u>30,790,197</u>
Less: Disposals during the period/ year - net book value		1,954	48,229
Depreciation charged during the period/ year		461,199	1,790,002
Closing book value		<u><u>28,585,297</u></u>	<u><u>28,951,966</u></u>
7.1 Major additions during the period			
Free hold land		958	21,574
Building on freehold land		13,489	875,412
Office building and housing colony		-	13,496
Roads		-	26,246
Plant and machinery		60,807	2,258,580
Quarry equipment		8,505	104,235
Furniture, fixtures and office equipment		4,937	28,164
Motor vehicles		4,645	112,190
Power and water supply lines		3,143	25,506
		<u>96,484</u>	<u>3,465,403</u>
8. Investments			
Cost of investments		2,940,629	2,940,629
Add: Purchase of new investment		2,951,568	-
Fair value adjustments		31,029,750	32,722,894
		<u>36,921,947</u>	<u>35,663,523</u>
Less: Investments classified in current assets		25,740,679	24,405,153
Closing balance		<u><u>11,181,268</u></u>	<u><u>11,258,370</u></u>

	July to September	
	2014	2013
	----(Rupees in thousand)----	
9. Cost of sales		
Raw and packing materials consumed	475,748	483,840
Salaries, wages and other benefits	315,543	286,674
Electricity, gas and water	628,228	544,071
Furnace oil/coal	1,153,812	1,519,812
Stores and spares consumed	331,710	329,872
Repair and maintenance	50,776	83,574
Insurance	16,309	15,015
Depreciation on property, plant and equipment	439,282	394,695
Amortization of intangible assets	3,229	3,229
Royalty	52,299	41,217
Excise duty	5,215	5,773
Vehicle running	8,951	8,499
Postage, telephone and telegram	1,075	1,094
Printing and stationery	1,064	835
Legal and professional charges	596	363
Travelling and conveyance	2,405	4,047
Estate development	5,442	2,717
Rent, rates and taxes	10,244	8,073
Freight charges	9,790	1,487
Other expenses	5,406	5,874
Total manufacturing cost	3,517,124	3,740,761
Opening work-in-process	560,634	856,587
Cost of goods available for manufacture	4,077,758	4,597,348
Closing work-in-process	(180,606)	(720,015)
Cost of goods manufactured	3,897,152	3,877,333
Opening stock of finished goods	348,437	320,318
Cost of goods available for sale	4,245,589	4,197,551
Closing stock of finished goods	(256,884)	(324,765)
Own consumption capitalized	(3,194)	(13,483)
Cost of goods sold	3,985,511	3,859,403

10. Transactions with related parties

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

Relationship with the Company	Nature of transaction	July to September	
		2014	2013
----(Rupees in thousand)----			
Subsidiary Company	Purchase of goods and services	173,145	94,905
	Rental Income	203	203
	Interest Income	8,341	8,341
Other related parties	Purchase of goods and services	328,676	340,278
	Insurance premium	33,760	27,704
	Sale of goods	100,581	151,783
	Mark-up income	200	319
	Insurance claim received	671	4,921
	Dividend income	357,970	325,428
Key Management personnel	Salaries and other employment benefits	39,567	33,209
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	22,301	21,141

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

	July to September	
	2014	2013
----(Rupees in thousand)----		
11. Cash flow from operating activities		
Profit before tax	1,641,805	1,546,246
Adjustment for :		
- Depreciation on property, plant and equipment	461,199	420,393
- Amortization on Intangible assets	4,613	4,613
- Profit on disposal of property, plant and equipment	(1,834)	(68)
- Dividend income	(357,970)	(325,432)
- Retirement and other benefits accrued	20,410	20,205
- Markup income	(38,847)	(60)
- Exchange loss - net	55,260	53,212
- Finance cost	66,695	213,320
Profit before working capital changes	1,851,331	1,932,429
- Stores, spares and loose tools	(1,570,885)	(123,301)
- Stock-in-trade	525,875	255,969
- Trade debts	4,631	35,691
- Advances, deposits, prepayments and other receivables	(376,345)	(347,636)
- Trade and other payables	508,621	172,574
Net working capital changes	(908,103)	(6,703)
Cash (used in)/ generated from operations	943,228	1,925,726



July to September

2014

2013

---(Rupees in thousand)---

12. Cash and cash equivalents

Short term borrowings - secured	(3,801,938)	(5,362,041)
Cash and bank balances	385,148	468,913
	<u>(3,416,790)</u>	<u>(4,893,128)</u>

13. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on October 24, 2014.

14. Corresponding figures

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

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

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

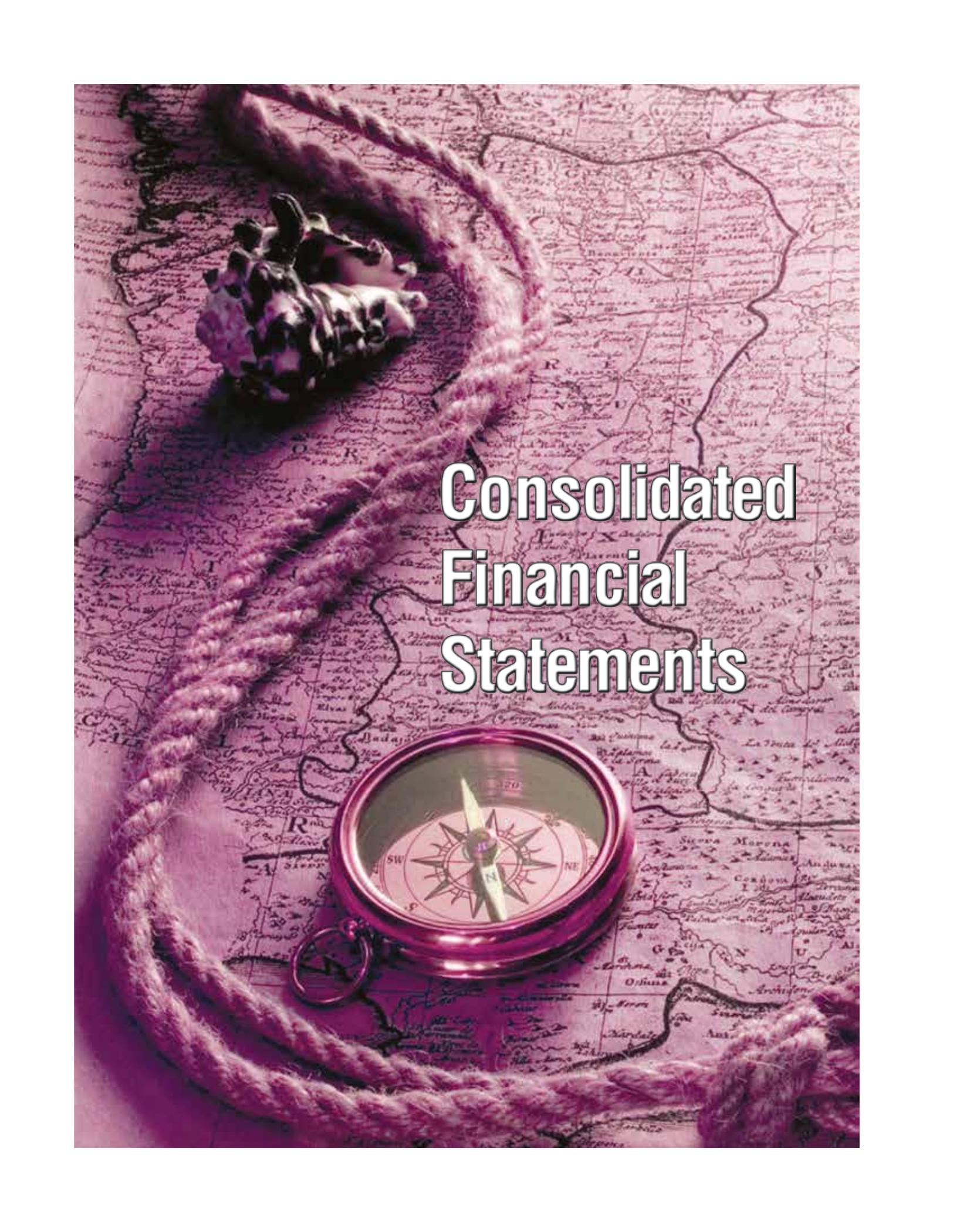


Chief Executive



Director



A vintage map with a compass, a rope, and a small animal figurine. The map is aged and shows various geographical features and place names. A thick, braided rope is coiled around the map. A small, dark-colored animal figurine is resting on the map. A compass is placed on the map, showing the cardinal directions. The overall scene is set against a dark, textured background.

Consolidated Financial Statements

Directors' Report

First Quarter FY15

The directors are pleased to present their report on consolidated financial statements for Q1 of FY15 of DG Khan Cement Company Limited and Nishat Paper Products Limited.

Economic environment of country is certainly the most affecting one to businesses. As the economic-cum-political situation is shaky therefore are the businesses and individuals. Growing energy needs have to be addressed by government but not at high prices which make domestic business more cumbersome and non-competitive in international market. As energy is lifeline of economic activity therefore, it should be provided uninterrupted by government at affordable price.

During the period under review despatches of cement industry were at 73% utilization. NPPL Sales are PKR 496 million in quarter under review with an increase of 48% while GP increase is 107%. Profit after tax of NPPL is PKR 31m as compared to loss of PKR 6 million for comparative period. NPPL profitability increased due to combined effect of increase in sales price and low raw material prices.

Highlights of consolidated financial results for first quarter of FY15 are as under:

	<i>PKR in thousands</i>	
	Q1FY15	Q1FY14
Sales	6,134,009	6,037,016
Cost of sales	(4,228,972)	(4,010,705)
Gross profit	1,905,037	2,026,311
Administrative expenses	(120,493)	(108,540)
Selling and distribution expenses	(213,402)	(324,081)
Other operating expenses	(228,006)	(181,037)
Other income	429,096	356,596
Profit/(Loss) from operations	1,772,232	1,769,249
Finance cost	(95,784)	(244,900)
Profit before taxation	1,676,448	1,524,349
Taxation	(491,170)	(471,519)
Profit after taxation	1,185,278	1,052,830

Consolidated sales increased by about 1.6% while Gross Profit decreased by 5.98%. Consolidated profit after tax increased by 12.58%. In coming period NPPL may get affected with exchange loss on its imports. As Paper sack business is directly linked to cement sales therefore, any fluctuation will affect it likewise. However, this vertical integration will benefit in long run.

A separate report has been issued on affairs of the holding company.

We admire support of all stake holders including our customers, suppliers, lenders and appreciate all our employees for their untiring efforts.



Mian Raza Mansha
Chief Executive Officer

October 24, 2014

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

		September 2014	June 2014
	Note	unaudited	audited
		---(Rupees in thousand)---	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2014: 950,000,000)			
ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2014: 50,000,000)			
preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital		4,381,191	4,381,191
Reserves		41,051,274	42,744,418
Accumulated profit		15,626,066	14,454,708
		<u>61,058,531</u>	<u>61,580,317</u>
Non-controlling interest		318,880	304,960
		<u>61,377,411</u>	<u>61,885,277</u>
NON-CURRENT LIABILITIES			
Long term finances	6	1,654,724	1,657,884
Long term deposits		69,376	68,970
Retirement and other benefits		105,334	200,187
Deferred taxation		4,454,462	4,215,327
		<u>6,283,896</u>	<u>6,142,368</u>
CURRENT LIABILITIES			
Trade and other payables		3,198,175	2,652,542
Accrued markup		45,549	72,753
Short term borrowing-secured		4,404,955	3,118,137
Current portion of non-current liabilities		870,344	905,049
Derivative financial instrument		7,551	14,902
Provision for taxation		35,090	35,090
		<u>8,561,664</u>	<u>6,798,473</u>
CONTINGENCIES AND COMMITMENTS	7	-	-
		<u>76,222,971</u>	<u>74,826,118</u>

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



Chief Executive



AS AT SEPTEMBER 30, 2014

		September 2014 unaudited	June 2014 audited
	Note	----(Rupees in thousand)----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	30,385,913	30,817,019
Intangible assets		32,291	36,904
Investments	9	10,977,639	11,054,741
Long term loans, advances and deposits		86,466	86,448
		41,482,309	41,995,112
 CURRENT ASSETS			
Stores, spares and loose tools		5,331,471	3,755,732
Stock-in-trade		1,374,318	1,953,976
Trade debts		430,852	419,631
Investments	9	25,740,716	24,405,190
Advances, deposits, prepayments and other receivables		994,517	506,975
Income tax recoverable		480,647	477,278
Cash and bank balances		388,141	1,312,224
		34,740,662	32,831,006
		76,222,971	74,826,118

David Dajal
Director



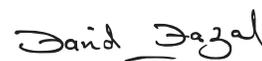
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

	Note	July to September	
		2014	2013
		---(Rupees in thousand)---	
Sales		6,134,009	6,037,016
Cost of sales	10	(4,228,972)	(4,010,705)
Gross profit		1,905,037	2,026,311
Administrative expenses		(120,493)	(108,540)
Selling and distribution expenses		(213,402)	(324,081)
Other operating expenses		(228,006)	(181,037)
Other income		429,096	356,596
Profit from operations		1,772,232	1,769,249
Finance cost		(95,784)	(244,900)
Profit before taxation		1,676,448	1,524,349
Taxation			
- Deferred Tax		(109,741)	(430,189)
- Current Tax		(381,429)	(41,330)
		(491,170)	(471,519)
Profit after taxation		1,185,278	1,052,830
Attributable to:			
Equity holders of the parent		1,171,358	1,060,042
Non-controlling interest		13,920	(7,212)
		1,185,278	1,052,830
Earning per share basic and diluted (Rupees)		2.71	2.40

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



Chief Executive



Director



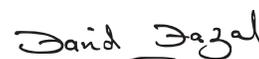
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	July to September	
	2014	2013
	----(Rupees in thousand)----	
Profit after taxation	1,185,278	1,052,830
Available for sale financial assets		
- Change in fair value	(1,693,144)	2,057,605
Other comprehensive (loss)/ income for the period	(1,693,144)	2,057,605
Total comprehensive (loss)/ income for the period	(507,866)	3,110,435
Attributable to:		
Equity holders of the parent	(521,786)	3,117,647
Non-controlling interest	13,920	(7,212)
	(507,866)	3,110,435

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



Chief Executive



Director



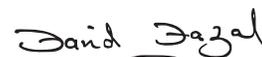
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

	Note	July to September	
		2014	2013
		---(Rupees in thousand)---	
Cash (used in)/ generated from operations	12	966,621	1,819,644
Financial cost paid		(122,988)	(259,320)
Retirement and other benefits paid.		(115,263)	(13,946)
Taxes paid		(255,404)	(146,444)
Long term deposits - net		406	1,425
Net cash (used in)/ from operating activities [A]		473,372	1,401,359
Capital expenditure including purchase of property, plant and equipment		(40,167)	(874,290)
Proceeds from sale of property, plant and equipment		3,788	1,118
Long term loans and deposits - net		(18)	(4,384)
Interest received		38,847	60
Dividend received		357,970	325,432
Net cash from/ (used in) investing activities [B]		(2,591,148)	(552,064)
Repayment of long term finances		(93,125)	(1,005,417)
Proceeds from long term finances		-	220,000
Net cash from/ (used in) financing activities [C]		(93,125)	(785,417)
In(De)crease in cash and cash equivalents [A+B+C]		(2,210,901)	63,878
Cash and cash equivalents at the beginning of period		(1,805,913)	(5,889,212)
Cash and cash equivalents at the end of period	13	(4,016,814)	(5,825,334)

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



Chief Executive



Director



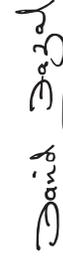
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

	Capital reserve					Revenue reserve			Total share holders equity
	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	
Balance as at June 30, 2014	4,381,191	4,557,163	32,722,894	353,510	5,110,851	14,454,708	61,580,317	304,960	61,885,277
Total comprehensive income for the period									
- Profit for the period	-	-	-	-	-	1,171,358	1,171,358	13,920	1,185,278
- Other comprehensive loss for the period	-	-	(1,693,144)	-	-	-	(1,693,144)	-	(1,693,144)
Balance as at September 30, 2014 - Unaudited	4,381,191	4,557,163	31,029,750	353,510	5,110,851	15,626,066	61,058,531	318,880	61,377,411
Balance as at June 30, 2013 - Audited	4,381,191	4,557,163	23,802,704	353,510	5,110,851	9,827,566	48,032,985	275,949	48,308,934
Effect of change in accounting policy	-	-	-	-	-	(41,416)	(41,416)	-	(41,416)
Balance as at June 30, 2013 (re-stated)	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	-	-	-	-	-	1,060,042	1,060,042	(7,212)	1,052,830
- Other comprehensive income for the period	-	-	2,057,605	-	-	-	2,057,605	-	2,057,605
Balance as at September 30, 2013 - Unaudited	4,381,191	4,557,163	25,860,309	353,510	5,110,851	10,846,192	51,109,216	268,737	51,377,953

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



Chief Executive



Director

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION-UNAUDITED

1. Legal status and nature of business

The group comprises of:

- D. G. Khan Cement Company Limited, the parent company; and
- Nishat Paper Products Company Limited, the subsidiary company.

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

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

2. Basis of preparation

The condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2014.

3. Estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this financial information the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

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

4. Significant accounting policies

4.1 The accounting policies adopted for the preparation of this interim consolidated financial information are the same as those applied in the preparation of the preceding annual published consolidated financial statements of the group for the year ended June 30, 2014.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting period beginning



from July 1, 2014 but are not considered 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.

5. The provision for taxation for the quarter September 30, 2014 has been made on an estimated basis.

		September 30, 2014	June 30, 2014
		unaudited	audited
		---(Rupees in thousand)---	
6. Long term finances			
These are composed of:			
- Long term loans		2,193,648	2,380,263
- Loan under musharika arrangement		318,750	170,000
	6.1	<u>2,512,398</u>	<u>2,550,263</u>
Less: Current portion shown under current liabilities		857,674	892,379
		<u>1,654,724</u>	<u>1,657,884</u>
6.1 Long term loans			
Opening balance		2,550,263	4,577,841
Add: Disbursements during the period		-	220,000
Exchange loss during the period		55,260	15,960
		<u>2,605,523</u>	<u>4,813,801</u>
Less: Repayment during the period		93,125	2,263,538
Closing balance		<u>2,512,398</u>	<u>2,550,263</u>

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the annual financial statements of the company for the year ended June 30, 2014.

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 255.646 million (June 30, 2014: Rs 260.371 million).
- (ii) Letters of credit for capital expenditure Rs 78.126 million (June 30, 2014: Rs 65.992 million).
- (iii) Letters of credit other than capital expenditure Rs 342.113 million (June 30, 2014: Rs 1,307.327 million).



		September 30, 2014	June 30, 2014
	Note	unaudited	audited
		---(Rupees in thousand)---	
8. Property, Plant and Equipment			
Opening book value		29,936,360	28,348,192
Add: Additions during the period/ year	8.1	97,343	3,469,554
		<u>30,033,703</u>	<u>31,817,746</u>
Less: Disposals during the period/ year - net book value		1,954	48,229
Depreciation charged during the period/ year		469,319	1,833,157
Closing book value		<u>29,562,430</u>	<u>29,936,360</u>
8.1 Major additions during the period			
Free hold land		958	21,574
Building on freehold land		13,489	875,412
Office building and housing colony		-	13,496
Roads		-	26,246
Plant and machinery		61,358	2,262,098
Quarry equipment		8,505	104,235
Furniture, fixtures and office equipment		5,245	28,797
Motor vehicles		4,645	112,190
Power and water supply lines		3,143	25,506
		<u>97,343</u>	<u>3,469,554</u>
9. Investments			
Cost of investments		2,737,037	2,737,037
Add: Purchase of new investment		2,951,568	-
Fair value adjustments		31,029,750	32,722,894
		<u>36,718,355</u>	<u>35,459,931</u>
Less: Investments classified in current assets		25,740,716	24,405,190
		<u>10,977,639</u>	<u>11,054,741</u>

July to September

2014

2013

---(Rupees in thousand)---

10. Cost of sales

Raw and packing materials consumed	679,327	645,909
Salaries, wages and other benefits	323,663	293,461
Electricity, gas and water	625,869	541,045
Furnace oil/coal	1,153,812	1,524,537
Stores and spares consumed	334,390	335,809
Repair and maintenance	51,806	86,024
Insurance	17,429	16,310
Depreciation on property, plant and equipment	447,375	402,872
Amortization of intangible assets	3,229	3,229
Royalty	52,299	41,217
Excise duty	5,215	5,773
Vehicle running	9,092	8,659
Postage, telephone and telegram	1,081	1,104
Printing and stationery	1,065	835
Legal and professional charges	728	463
Travelling and conveyance	2,405	4,329
Estate development	5,442	2,717
Rent, rates and taxes	10,245	8,087
Freight charges	9,830	1,538
Other expenses	5,494	5,909
Total manufacturing cost	3,739,796	3,929,827
Opening work-in-process	560,634	856,587
Cost of goods available for manufacture	4,300,430	4,786,414
Closing work-in-process	(180,606)	(720,015)
Cost of goods manufactured	4,119,824	4,066,399
Opening stock of finished goods	437,913	368,948
Cost of goods available for sale	4,557,737	4,435,347
Closing stock of finished goods	(325,571)	(411,159)
Own consumption capitalized	(3,194)	(13,483)
Cost of goods sold	4,228,972	4,010,705

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:



Relationship with the Company	Nature of transaction	July to September	
		2014	2013
---(Rupees in thousand)---			
Other related parties	Purchase of goods and services	328,676	340,278
	Insurance premium	33,760	27,704
	Sale of goods	100,581	151,783
	Mark-up income	200	319
	Insurance claim received	671	4,921
	Dividend income	357,970	325,428
Key Management personnel	Salaries and other employment benefits	39,567	33,209
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	22,301	21,141

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

	July to September	
	2014	2013
---(Rupees in thousand)---		
12. Cash flow from operating activities		
Profit before tax	1,676,448	1,524,349
Adjustment for :		
- Depreciation on property, plant and equipment	469,319	428,616
- Amortization on Intangible assets	4,613	4,613
- Profit on disposal of property, plant and equipment	(1,834)	(68)
- Dividend income	(357,970)	(325,432)
- Retirement and other benefits accrued	20,410	20,205
- Markup income	(38,847)	(60)
- Exchange loss - net	55,260	53,212
- Finance cost	95,784	244,900
Profit before working capital changes	1,923,183	1,950,335
- Stores, spares and loose tools	(1,575,739)	(119,860)
- Stock-in-trade	579,658	12,867
- Trade debts	(11,221)	83,896
- Advances, deposits, prepayments and other receivables	(487,542)	(301,465)
- Trade and other payables	538,282	193,871
Net working capital changes	(956,562)	(130,691)
Cash (used in)/ generated from operations	966,621	1,819,644



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 Company on October 24, 2014.

16. Corresponding figures

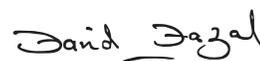
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Corresponding figures have been re-arranged wherever necessary for the purposes of comparison, however, no significant re-arrangements have been made.

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



Chief Executive



Director





D.G. KHAN CEMENT COMPANY LIMITED
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