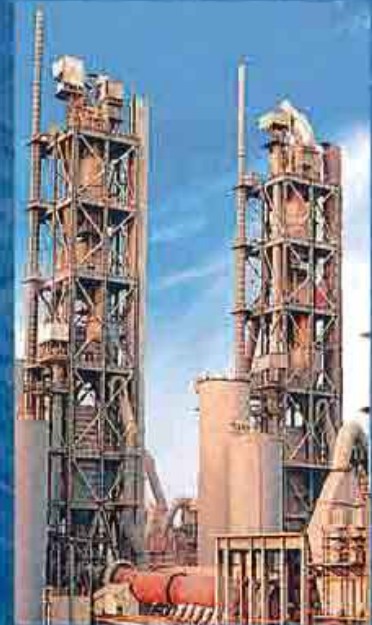


# ANNUAL REPORT 2009



DEWAN CEMENT LIMITED



## CONTENTS

Company Information.....	3
The Vision Statement .....	4
The Mission Statement .....	5
Notice of Annual General Meeting .....	6
Directors' Report .....	8
Summarised Key Operating and Financial Data of Last Six Years .....	15
Statement of Compliance with the best practices of Code of Corporate Governance.....	19
Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance .....	21
Auditors' Report to the members.....	22
Balance Sheet .....	24
Profit and Loss Account .....	25
Cash Flow Statement .....	26
Statement of Changes in Equity .....	28
Notes to the Accounts .....	29
Pattern of Shareholding .....	55
Form of Proxy .....	



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Dewan M. Yousuf Farooqui	Chairman/Chief Executive
Dewan Abdullah Ahmed	Director
Dewan Abdul Baqi Farooqui	Director
Mr. Haroon Iqbal	Director
Syed Muhammad Ali Khan	Director
Mr. Aziz-ul-Haque	Director
Mr. Abrar Manzoor	Director
Mr. Wajahat A. Baqai	Nominee Director of Creditors
Mr. Basheer Ahmed Chowdry	Nominee Director of Creditors

### AUDIT COMMITTEE MEMBERS

Mr. Wajahat A. Baqai	Chairman
Mr. Haroon Iqbal	Member
Syed Muhammad Ali Khan	Member
Mr. Aziz-ul-Haque	Member

### CHIEF FINANCIAL OFFICER

Mr. Imran Ahmed Javed

### COMPANY SECRETARY

Mr. Inam-ur-Rehman

### REGISTERED OFFICE

Block-A, 7<sup>th</sup> Floor, Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi, Pakistan.

### HEAD OFFICE

Block-A, 2<sup>nd</sup> Floor, Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi, Pakistan.

### FACTORY

1. Deh Dhand, Dhabeji  
District, Malir Karachi.
2. Kamilpur Near Hattar  
District, Haripur N.W.F.P

### AUDITORS

Faruq Ali & Co.  
Chartered Accountants

### COST AUDITORS

S.M. Suhail & Co.  
Chartered Accountants

### LEGAL ADVISOR

Sardar M. Ajaz Khan (Advocate)

### WEBSITE

[www.dewangroup.com.pk](http://www.dewangroup.com.pk)



# *The Vision Statement*

*"The vision of Dewan Cement Limited is to become leading market player  
in the cement sector".*



## *The Mission Statement*

- o To assume leadership role in the technological advancement of the industry and to achieve the highest level of qualitative and quantitative indigenization.*
- o To be the finest organization in its industry, and to conduct its business responsibly and in a straight forward manner.*
- o To seek long-term and good relations with our suppliers and Sales Agents with fair, honest and mutually profitable dealings.*
- o To achieve the basic aim of benefiting its customers, employees and shareholders and to fulfill its commitments to the society.*
- o To create a work environment highlighting team work, which motivates, recognizes and rewards achievements at all levels of the organization, because "In ALLAH we believe, and in people we trust".*
- o To be honest, initiative and be able to respond effectively to changes in all aspects of life, including technology, culture and environment.*
- o To be a contributing corporate citizen for the betterment of society and to exhibit a socially responsible behaviour.*
- o To conduct with integrity and strive to be the best.*



## NOTICE OF THE THIRTIETH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirtieth Annual General Meeting of **Dewan Cement Limited** ("**DCL**" or "**the Company**") will be held on **Thursday, October 29, 2009, at 03:30 p.m.** at Dewan Cement Limited Factory Site, at Deh Dhand, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Friday, November 28, 2008;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2009, togetherwith the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider, approve and recommended by the Board of Directors of the Company to increase the remuneration payable to the Chief Executive Officer of the Company.
5. To consider any other business with the permission of the Chair.

*By order of the Board*

**Inam-ur-Rehman**  
**Company Secretary**

Karachi: October 06, 2009

### **NOTES:**

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2009 to October 29, 2009 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent Raoji Consulting Associates (Private) Limited, located at 4<sup>th</sup> Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the abovesaid address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:
  - a) **For Attending Meeting:**
    - i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.



ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

**b) For Appointing Proxies:**

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.

iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished alongwith the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.



## **DIRECTORS' REPORT**

The management of your company takes pleasure in presenting to you the Thirtieth Annual Report of the company together with the audited accounts for the financial year ended June 30, 2009. This is the sixth annual report since the management and controlling shares of the company were taken over by Dewan Mushtaq Group ("DMG").

### **OVERVIEW**

The cement industry in Pakistan during the year 2008-09 concluded with an average growth of 1.61% with total sales volume of 30.77million tons. The marginal increase in the average growth rate resulted mainly due to the economic slowdown in the country, energy crises, law and order situation, absence of new construction projects and financial constraints both internally and globally. On the other hand the export market registered healthy growth of 47% during the year under review as compared to last year.

To address the current financial situation your Company has initiated various counter measures. The proposal for re-profiling of Company's debt is under review with the banks and we are expecting a positive outcome.

### **COMPANY'S PERFORMANCE:**

During the year under review, your company registered a net loss of Rs.163 million as compared to a net loss of Rs.499 million last year. Local sale increased by 13.86% while export sales shot up by 102.75% compared to last year. The company could not avail the benefit of the increase in the sales volume due to the fact that there was substantial increase in the cost of production such as a continuous increase in energy cost specially coal. Similarly the cost of electricity and gas also increased substantially. Our North Plant production was adversely impacted by the sudden stoppage of gas by the Government of NWFP. The other reason for the slow down is the financial constraint which the company is experiencing for the last two years. The law and order situation is also one of the reasons especially in NWFP which resulted in disturbed supply of cement in these regions.

During the year for the commissioning of our Line II in South region, which was expected to start in January 2007 was delayed because of the law and order situation when the foreign experts refused to visit Pakistan. We then used our internal experts for project completion. Further the banks refused to provide the committed finance for the project resulting in working capital depletion that aggravated the cash flow situation.





The highlights of the accounts are tabulated below:

	2009	2008
	(Rs. in '000')	
Sales		
- Local – net	4,662,034	4,094,649
- Export	1,020,537	503,353
	5,682,571	4,598,002
Depreciation	467,704	540,033
Gross profit/(Loss)	433,374	(108,324)
Financial charges	463,191	325,142
Taxation-net Expense (Income)	(213,282)	(83,185)
Net profit/(Loss) after tax	(163,208)	(499,137)
Basic Earning per share (Rs./share)	Re. (0.46)	Rs. (1.39)

#### **LOAN STATUS**

Certain pre-IPO investors of TFCs having investment of Rs. 1,275 million have moved to the Honorable High Court of Sindh for repayment of their liabilities. The management strongly contested its case as the default was beyond the company's control. However the outcome is expected in the favor of the company. Therefore the company has offered all the investors / bankers for re-profiling of the entire liabilities including the pre-IPO investments. As mentioned above the management is hopeful for an early closure and favorable outcome.

#### **FUTURE OUTLOOK**

The management of your company is of the view that the growth in local cement consumption will be around 15% in the ensuing year. The demand for cement largely depends upon the Public Sector Development Programme (PSDP), domestic sales and export market. It is expected that the govt. may substantially increase the PSDP for the next financial year mainly for infrastructure development and rehabilitation of IDP's. The major source of government funding will be US aid and other donors such as the friends of Pakistan. This may result in increase of the domestic demand. However all these factors depend on the law and order situation, monetary policy and global economic crisis.



As witnessed that the cement industry achieved high growth in export of cement, it is expected the potential for export still exists for the next year. The government should take measures to normalize the law and order situation and restore the investors' confidence and also take steps to facilitate exports through land and sea routes as a result more foreign exchange will be earned.

We are hopeful that the government will take the measures for the revival of the cement industry by announcing subsidy in freight to encourage exports through sea and simultaneously reduce the interest rates for the growth of economy.

**Line-II**

Your management is pleased to inform you that your second line of production in South Zone has been commissioned after successful trial run and is now in commercial production from October 01, 2008. Its production capacity is 3,200 TPD and it employs state-of-the-art technology and equipment including online gamma analyzer and is designed to produce high quality products with significant efficiencies in fuel and power consumption. Summary of trial production result is given in the note 6.4.1 to the financial statements.

It is creditable that your company was able to achieve this milestone without any new financing support from the financial institutions. The strain on the short term working capital can be easily alleviated by some support of the banks. Nevertheless, given the importance of completing this long delayed project, your management had little option but use all available resources.

**OBSERVATIONS IN THE AUDITORS' REPORT**

The auditors have qualified their report on the following basis, which are duly explained.

**Advance for Pre-IPO Investment:**

The auditors do not concur with the management assertion regarding the classification of advance for Pre-IPO investment amounting to Rs. 3,850 million as long term liability.



The management is of the view that since the funds were obtained for a period of six years, all of them are offered restructuring of their investments. Till the matter is resolved suitably with investors, management has decided to classify the same as long term liability.

**Provision for mark-up:**

The Company has not made provision of mark-up amounting to Rs. 443.455 million on its mark-upbearing liability.

The management has approached its bankers / financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the Company's restructuring proposals will be accepted by the financial institutions / bankers. Therefore the Company has not made any provision for mark-up.

**Going Concern Assumption:**

The auditors have added an emphasis of matter paragraph on the company's ability to continue as a going concern because the Company sustained operating loss of Rs. 163 million as compared to last year of Rs. 499 million and the current liabilities exceed by Rs. 3,600 million from its current assets, these conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Further, the management has also approached its bankers / financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the Company's restructuring proposals will also be accepted by the financial institutions / bankers. These conditions mitigate the risk and preparation of the financial statement on going concern assumption is justified.

The management is of the view that these conditions are temporary and expected to be reverse in near future.

**STATEMENT OF CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK**

We are pleased to report that your Company is fully compliant to the provisions of the Code of Corporate Governance as incorporated in the listing regulations of stock exchanges.

- a) The annexed financial statements prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity;
- b) Proper books of accounts of the company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment;
- d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and is effectively implemented and monitored. The process of review will continue and any weaknesses in control will be removed;
- f) There are no significant doubts upon the company's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- h) Key operations and financial data for last six years is summarized and annexed;
- i) There are no outstanding taxes and levies other than those disclosed in the annexed financial statements;
- j) The pattern of shareholding of the Company as at June 30, 2009 is annexed;
- k) The value of investment of provident fund based on their respective latest accounts is Rs. 26.6 million.



**DIVIDEND**

The Board is not in a position to recommend dividend for the period under review.

**TRADING IN COMPANY SHARES**

One of the Directors sold certain shares during the year; however, none of the other Directors, CFO, Company Secretary, their spouses and minor children have traded in the shares of the Company.

**BOARD MEETING**

During the year three (3) meetings of the Board of Directors were held, Directors' attendance in these meeting is as under:

<b>Name of Directors</b>	<b>No. of meetings Attended</b>	<b>Status</b>
Dewan M. Yousuf Farooqui	1	
Dewan Abdul Baqi Farooqui	1	
Dewan Abdullah Ahmed	1	
Muhammad Azimuddin	1	Resigned
Syed Muhammad Ali Khan	3	
Aziz-ul-Haque	2	
Shahab Mahmud Ansari	1	Resigned
Wajahat A. Baqai	1	
Basheer A. Chowdry	2	
Haroon Iqbal	2	New Induction
Abrar Manzoor	1	New Induction

Leave of absence was granted to the Directors who could not attend meetings.

Names of Directors who co-opted to fill in the casual vacancy following retirement, resignation of Directors.

**Name of Directors**

Haroon Iqbal  
Abrar Manzoor

**AUDITORS APPOINTMENT**

The present auditors M/s. Faruq Ali & Co., Chartered Accountants, retire and being eligible, have offered their services for re-appointment as auditors for the ensuing year ending June 30, 2010.

The audit committee and the Board of Directors have recommended appointment of M/s. Faruq Ali & Co., Chartered Accountants as auditors of the company for the coming year.



**VOTE OF THANKS**

The Board would like to place on record its gratitude to its valuable shareholders, Federal and Provincial government functionaries, banks, development financial institutions, and customers for their cooperation, continued support and patronage.

The Board also expresses its thanks to the executives, staff members and workers of the company and wishes to place on record its appreciation for the efforts they are making in turning around the company.

**CONCLUSION**

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved prophet, Muhammad, Peace be upon him for continued showering of His Blessings, Guidance, Strength, Health and Prosperity to us, our company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, amen, Summa-Ameen.

On behalf of the Board of Directors

**Dewan M. Yousuf Farooqui**  
Chairman & Chief Executive

Dated: October 06, 2009

Place: Karachi

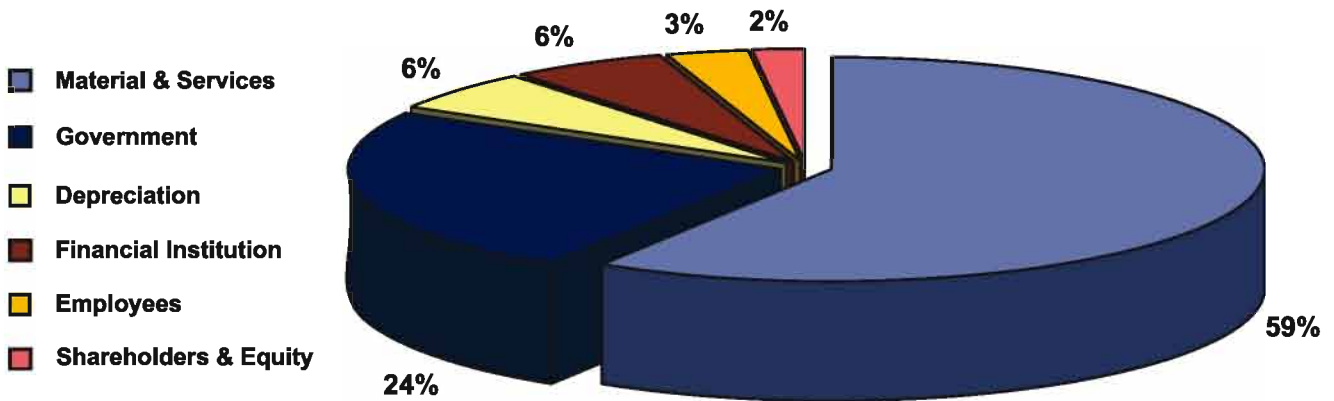


**KEY OPERATING AND FINANCIAL STATISTICS FOR LAST SIX YEARS**

Particular	2009	2008	2007	2006	2005	2004
	------(Tons. in million)-----					
<b>QUANTITATIVE DATA</b>						
Clinker Production	1,356	1,339	1,444	1,546	1,090	726
Cement Production	1,379	1,556	1,584	1,741	1,155	753
Cement Despatch	1,355	1,568	1,585	1,737	1,144	755
	------(Rs. in million)-----					
<b>ASSETS EMPLOYED</b>						
Fixed Assets	20,015	19,927	19,333	12,783	12,185	11,422
"Investment & Long-term advances, deposits & Deferred costs"	72	75	54	27	3	4
Current Assets	1,510	1,609	2,815	1,676	1,494	661
<b>Total Assets Employed</b>	<b>21,597</b>	<b>21,611</b>	<b>22,202</b>	<b>14,486</b>	<b>13,682</b>	<b>12,087</b>
	-----					
<b>FINANCED BY</b>						
Shareholder equity	4,222	4,308	4,704	3,046	1,828	1,781
Subordinated loan	-	-	-	-	602	-
Surplus on revaluation of fixed asset	4,008	4,015	4,091	1,085	1,131	1,333
Redeemable Capital	3,850	3,850	4,111	4,905	5,664	6,298
"Long-term Loan & Long-term Liabilities/Disposits/Import bill/Deferred tax"	2,625	3,221	3,433	2,216	1,885	751
Deferred Liabilities	1,750	2,066	2,192	826	467	505
Obligation under finance lease	31	89	135	38	-	5
Current Liabilities	5,110	4,061	3,536	2,370	2,105	1,414
<b>Total Funds Invested</b>	<b>21,597</b>	<b>21,611</b>	<b>22,202</b>	<b>14,486</b>	<b>13,682</b>	<b>12,087</b>
	-----					
<b>TURNOVER &amp; PROFIT</b>						
Turnover (Net)	5,683	4,598	4,330	5,631	3,234	2,049
Operating Profit / (Loss)	56	(538)	718	1,234	334	(461)
Profit / (Loss) Before Taxation	(376)	(582)	165	628	(73)	(466)
Profit / (Loss) After Taxation	(163)	(499)	207	357	(64)	(295)
Transfer to Reserves	-	-	-	-	-	-
Accumulated Profit (Loss)	19	105	501	356	(528)	(489)

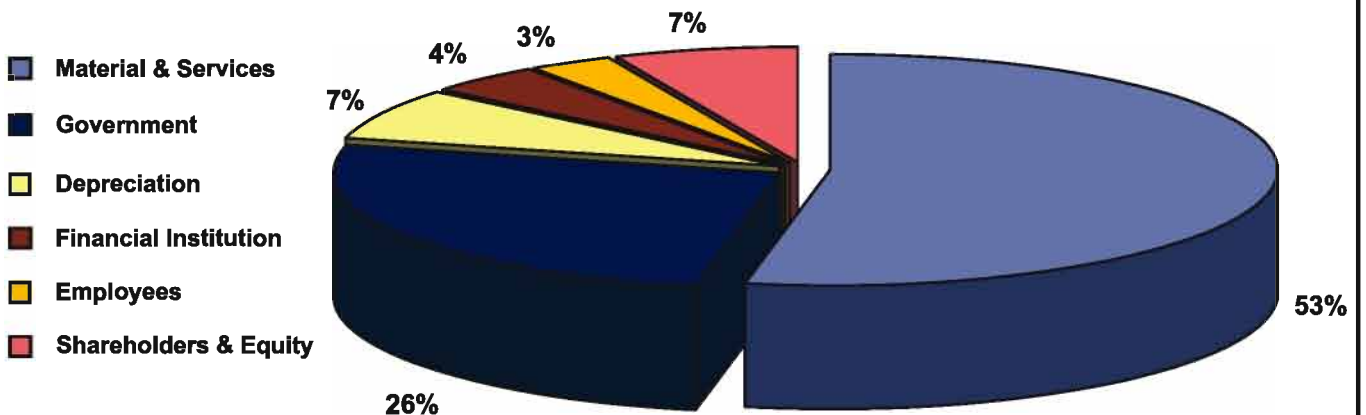


**WEALTH GENERATED AND DISTRIBUTED DURING  
2008-2009**



Total Revenue Rs. 7,618.370 million

**WEALTH GENERATED AND DISTRIBUTED DURING  
2007-2008**



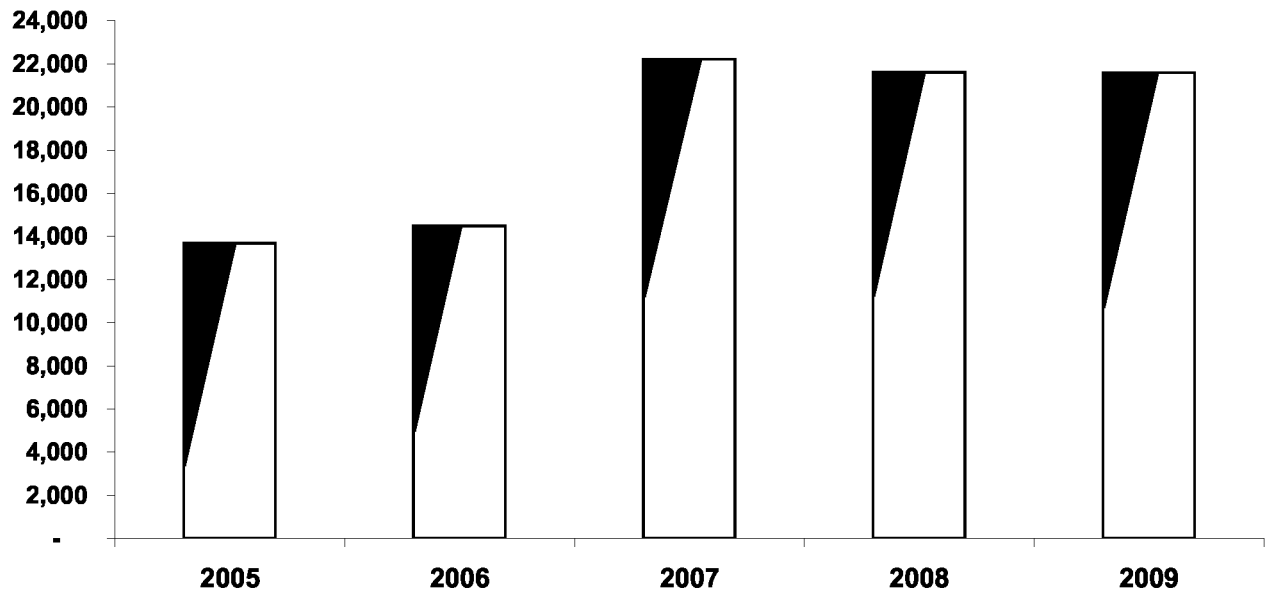
Total Revenue Rs. 6,588.350 million





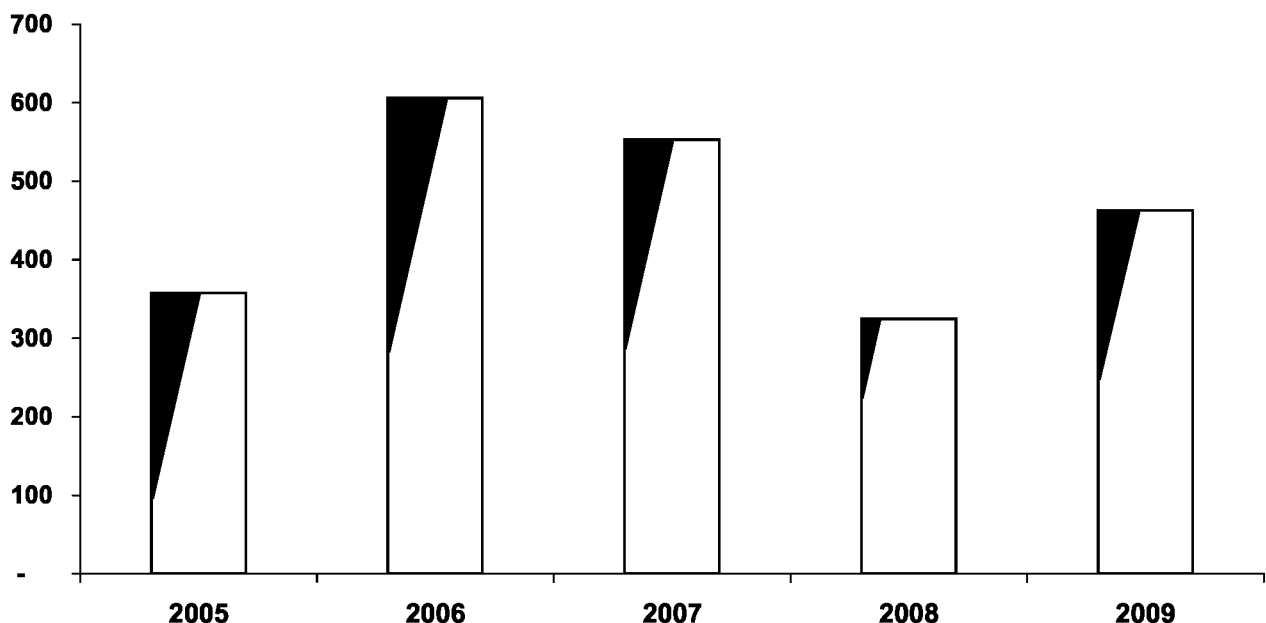
### DEVELOPMENT OF BALANCE SHEET TOTAL OVER THE YEARS

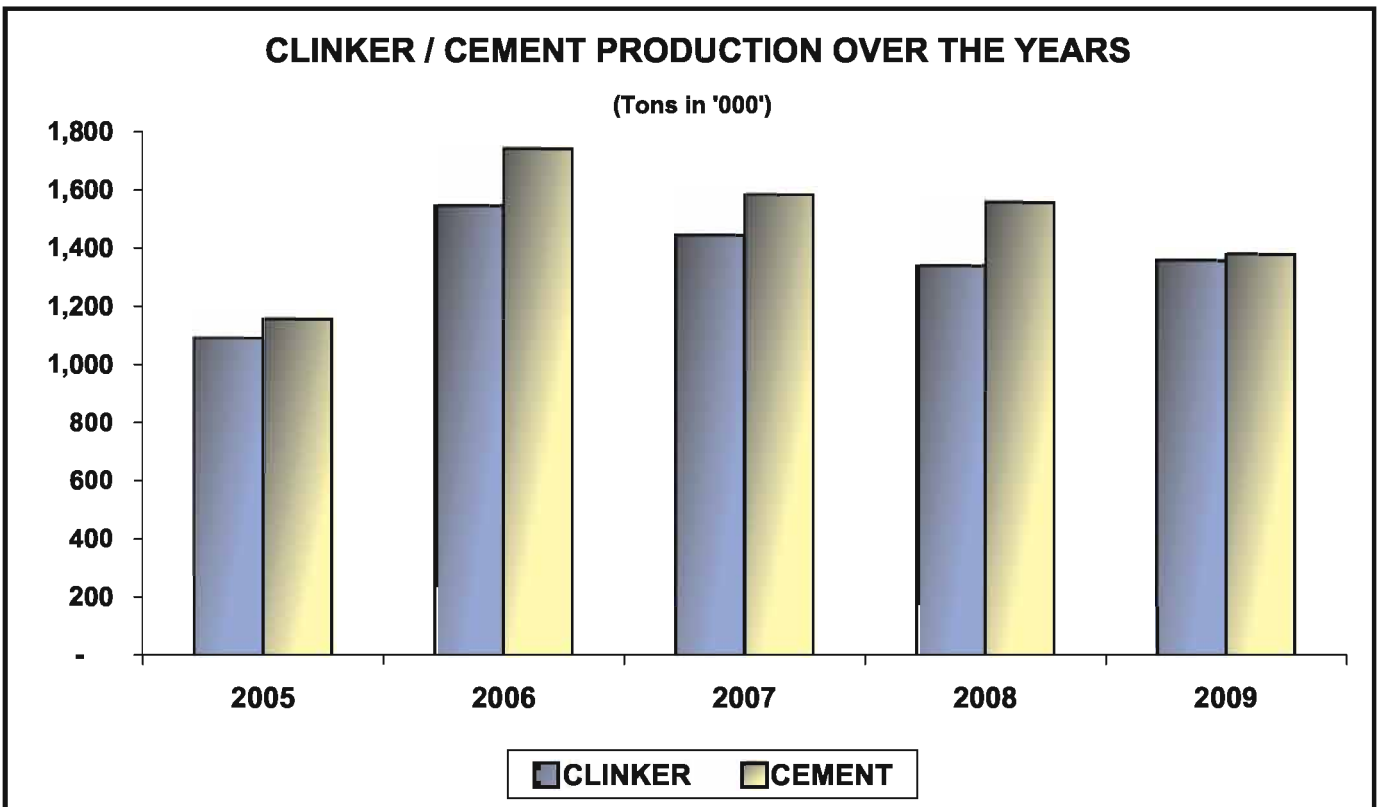
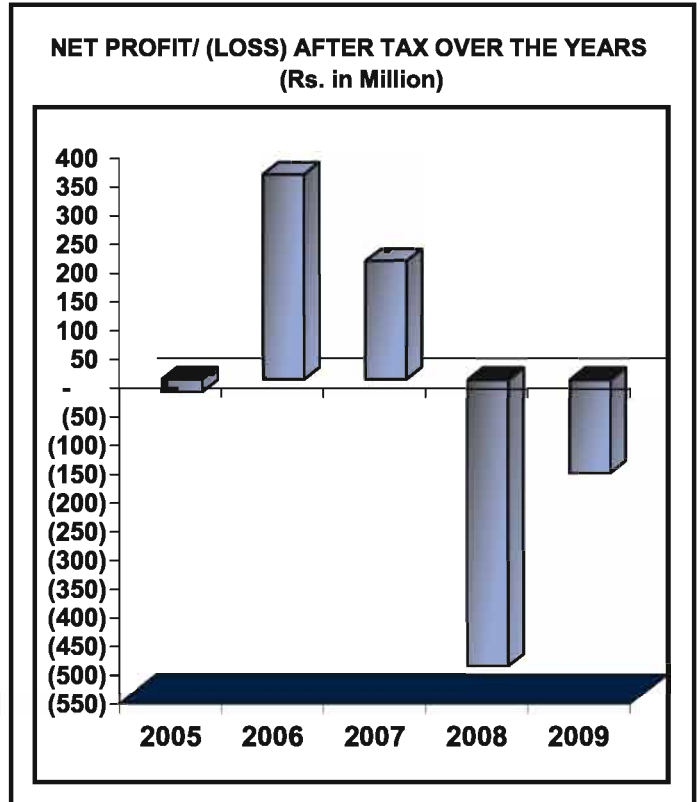
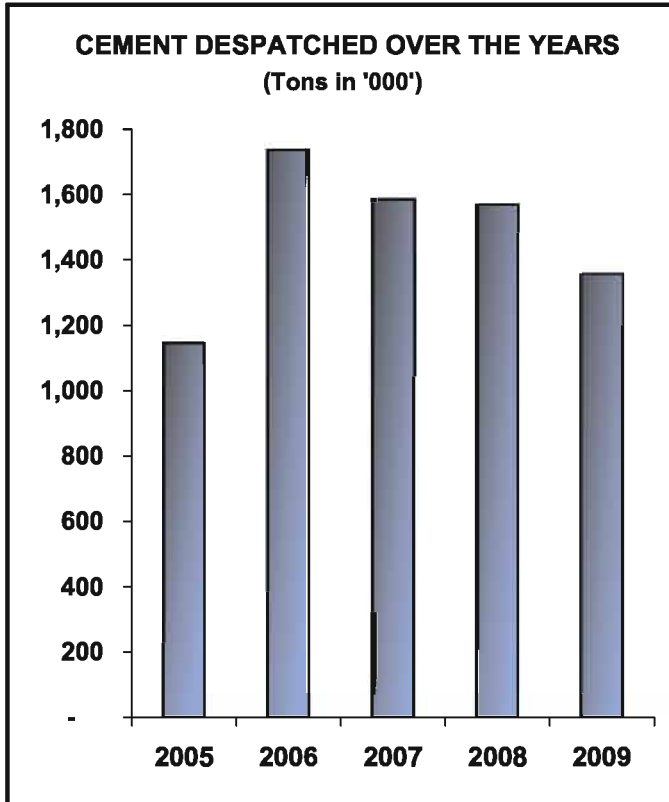
(Rs. in Million)



### FINANCIAL CHARGES OVER THE YEARS

(Rs. in Million)







## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five independent non-executive directors including two non-executive directors nominated by creditors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Three casual vacancies occurring in the Board on during the period under review were filled up by the directors within thirty days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and circulated to all the employees of the Company.
6. The Board has developed a vision/mission statement and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board comprises senior corporate executives and professionals, who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.



10. The appointments of CFO, Company Secretary and Head of Internal Audit, and their remuneration and terms and conditions of employment have been determined by the CEO and continue to remain approve by the board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises four members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

**Dewan M. Yousuf Farooqui**  
Chairman & Chief Executive

October 06, 2009  
Karachi



**FARUQ ALI & CO**  
CHARTERED ACCOUNTANTS

222-A, Karachi Memon Telephone : (021) 4301966  
Cooperative Housing Society : (021) 4301967  
Justice Inaumulah Road, : (021) 4301968  
Near Hill Park, Karachi-74800. : (021) 4301969  
E-mail: faac@cyber.net.pk Fax : (021) 4301965

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE  
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Cement Limited** to comply with the Listing Regulation No.37 (Chapter XI) and No.40 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009.

**Dated: October 06, 2009**  
**Place: Karachi**  
Engagement partner: S. Naseem uz Zaman.

**Faruq Ali & Co.**  
Chartered Accountants



**FA FARUQ ALI & CO**  
CHARTERED ACCOUNTANTS

222-A, Karachi Memon Telephone : (021) 4301966  
Cooperative Housing Society : (021) 4301967  
Justice Inaumulah Road, : (021) 4301968  
Near Hill Park, Karachi-74800. : (021) 4301969  
E-mail: faac@cyber.net.pk Fax : (021) 4301965

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DEWAN CEMENT LIMITED** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit. The financial statements of the company for the year ended June 30, 2008 were jointly audited by other two firms of chartered accountants, who vide their report dated October 30, 2008 issued un-qualified opinion thereon, however added a matter of emphasis paragraph regarding special resolution passed for sale / alienate / dispose off one the company's cement manufacturing unit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) The company has classified 'advances for investment in term finance certificates' amounting to Rs.3,850 million (refer note 20 to the financial statements) as long term liability for the reason mentioned in said note. We do not concur with the management's assertion regarding its classification as long term liability. In our opinion the entire liability should be classified as current liability as per terms of agreements with the investors.
- b) The company has not made provision of markup amounting to Rs.443.455 million (refer note 35.1) on account of restructuring proposal offered to the lenders as described in note 3 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far, therefore the provision of markup should be made in these financial statements. Has the provision of markup been made in the financial statement the loss after taxation and markup payable would have been higher by the same amount.
- c) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;



- d) in our opinion:
- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- e) in our opinion and to the best of our information and according to the explanations given to us, except for the matters discussed in paragraph (a) and (b) above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the Loss, its cash flows and changes in equity for the year then ended; and
- f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.
- g) without further qualifying our opinion, we draw attention of the members to note 3 to the financial statements which indicates that the Company incurred a net loss of Rs.163.208 million during the year ended June 30, 2009 and as of that date, the Company's current liabilities exceeded its current assets by Rs.3,600.460 million and certain lenders have gone into litigation for recovery of their liabilities through attachment and sales of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions, along with other matters as set forth in note 3, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern. The amount of loss and current liabilities reported in said note do not include the effect of matters discussed in para (a) and (b) above.

**Dated: October 06, 2009**  
**Place: Karachi**  
**Engagement partner: S. Naseem uz Zaman.**

**Faruq All & Co.**  
**Chartered Accountants**

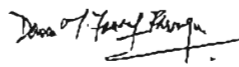


## BALANCE SHEET AS AT JUNE 30, 2009

ASSETS	Note	June 30, 2009 (Rupees in '000')	June 30, 2008
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	20,015,133	19,927,245
Long term deposits	7	70,003	74,369
Long term loans	8	1,587	641
<b>CURRENT ASSETS</b>			
Stores and spare parts	9	379,892	397,500
Stock-in-trade	10	384,169	127,802
Trade debts - Unsecured	11	316,485	715,855
Due from related party		—	10,541
Loans and advances - Unsecured	12	149,209	130,715
Trade deposits and short-term prepayments	13	27,978	32,288
Other receivables - Considered good	14	19,959	39,143
Short term investments	15	2,172	4,656
Taxation - Net		107,826	17,760
Cash and bank balances	16	122,311	132,572
		<u>1,510,001</u>	<u>1,608,832</u>
<b>TOTAL ASSETS</b>		<u><b>21,596,724</b></u>	<u><b>21,611,087</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		<u>5,000,000</u>	<u>5,000,000</u>
500,000,000 (2008: 500,000,000) Ordinary shares of Rs. 10/- each			
Issued, subscribed and paid up capital	17	3,573,750	3,573,750
Reserve - Net		<u>648,287</u>	<u>734,720</u>
		<u>4,222,037</u>	<u>4,308,470</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>	18	4,007,712	4,014,940
<b>NON CURRENT LIABILITIES</b>			
Long term financing	19	1,701,547	2,275,462
Advances for investment in term finance certificates	20	3,850,000	3,850,000
Liabilities against assets subject to finance lease	21	31,494	88,949
Long term deposits and payables	22	923,029	922,894
Deferred liabilities	23	1,750,444	2,065,797
		<u>8,256,514</u>	<u>9,203,102</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	1,624,625	1,649,766
Short term borrowings	25	660,875	748,021
Markup payable	26	1,042,708	555,916
Current and overdue portion of long term borrowings	27	1,746,914	1,114,022
Sales tax payable		<u>35,339</u>	<u>16,850</u>
		<u>5,110,461</u>	<u>4,084,575</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	28	—	—
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>21,596,724</b></u>	<u><b>21,611,087</b></u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
 Dewan Abdul Baqi Farooqui  
 Director

  
 Dewan M. Yousuf Farooqui  
 Chairman / Chief Executive



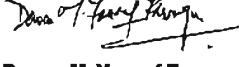


**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	June 30, 2009 (Rupees in '000')	June 30, 2008
Turnover - Net	29	5,682,571	4,598,002
Cost of sales	30	(5,249,197)	(4,706,326)
<b>Gross profit / (loss)</b>		<b>433,374</b>	<b>(108,324)</b>
Distribution cost	31	(192,475)	(94,741)
Administrative expenses	32	(157,534)	(246,815)
Other operating expenses	33	(27,609)	(88,325)
		<b>(377,618)</b>	<b>(429,881)</b>
<b>Operating profit / (loss)</b>		<b>55,756</b>	<b>(538,205)</b>
Other operating income	34	30,945	281,025
Finance cost	35	(463,191)	(325,142)
		<b>(432,246)</b>	<b>(44,117)</b>
<b>Loss before taxation</b>		<b>(376,490)</b>	<b>(582,322)</b>
Taxation - Net	36	213,282	83,185
<b>Loss after taxation</b>		<b>(163,208)</b>	<b>(499,137)</b>
<b>Loss per share - Basic and diluted</b>	37	<b>Re. (0.46)</b>	<b>Rs. (1.39)</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
**Dewan Abdul Baqi Farooqui**  
 Director

  
**Dewan M. Yousuf Farooqui**  
 Chairman / Chief Executive



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
	----- <b>(Rupees in '000')</b> -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	<b>(376,490)</b>	<b>(582,322)</b>
Adjustment for:		
Depreciation	467,704	540,033
Unrealized loss on remeasurement of short term investment	2,484	4,505
Loss / (gain) on sale on property, plant and equipment	(447)	14
Finance cost	463,191	325,142
Liabilities no longer payable - Written back (net)	--	(73,030)
Other income on TFCs	--	(157,096)
Amortisation of intangible assets	--	31,317
Dividend income	--	(187)
Exchange loss - Net	16,398	43,028
Interest on balance due from related party	--	(28,570)
Provision for / (reversal of) gratuity	(22,319)	7,284
Provision for doubtful debts	--	10,877
Provision for loans and advances	--	63,631
<b>Cash inflow before working capital changes</b>	<b>550,521</b>	<b>184,626</b>
<b>Working capital changes</b>		
<i>(Increase)/Decrease in current assets</i>		
Stores and spare parts	17,609	286,251
Stock in trade	(256,367)	175,023
Trade debts - Unsecured	399,370	(216,397)
Due from related party	10,541	818,029
Loans and advances - Unsecured	(18,494)	(84,275)
Trade deposits and short-term prepayments	4,311	63,045
Other receivables - Considered good	19,184	23,059
	176,154	1,064,735
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	(25,134)	375,049
Sales tax payable	18,489	2,107
	(6,645)	377,156
	<b>169,509</b>	<b>1,441,891</b>
<b>Cash generated from operations</b>	<b>720,030</b>	<b>1,626,517</b>
Income tax paid	(100,273)	(24,423)
Long term loans - Net	(946)	421
Long term deposits	(18,244)	(21,397)
Long term deposits and payables	135	61,355
<b>Net cash inflow from operating activities</b>	<b>600,702</b>	<b>1,642,473</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(406,788)	(575,882)
Sale proceeds of property, plant and equipment	1,785	294
Dividend income received	--	187
<b>Net cash used in investing activities</b>	<b>(405,003)</b>	<b>(575,401)</b>



Note	June 30, 2009	June 30, 2008
	(Rupees in '000')	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of debentures - Term Finance Certificates	(5,941)	(4,190,993)
Proceeds from issuance of debentures - Term Finance Certificates	-	3,850,000
Proceeds from long term financing - Net	50,020	(139,551)
Proceeds from loan from sponsors	-	237,358
Proceeds from short term borrowings	(103,544)	499,377
Repayment from short term redeemable capital	-	(497,695)
Finance cost paid	(126,548)	(845,698)
Dividend paid	-	(464)
Decrease in liabilities against assets subject to finance lease	(19,947)	(71,371)
<b>Net cash used in financing activities</b>	<b>(205,960)</b>	<b>(1,159,037)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,261)</b>	<b>(91,965)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>132,572</b>	<b>224,537</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>122,311</b>	<b>132,572</b>

16

The annexed notes from 1 to 43 form an integral part of these financial statements.

**Dewan Abdul Baqi Farooqui**  
Director

**Dewan M. Yousof Farooqui**  
Chairman / Chief Executive

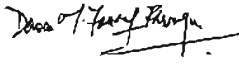


**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2009**

	Issued, subscribed and paid up capital	RESERVES			Total Equity
		CAPITAL	REVENUE	Total reserves	
		Merger reserve	(Accumulated loss) / Unappropriated profit		
(Rupees in '000')					
<b>Balance as at July 1, 2007</b>	3,573,750	629,444	501,231	1,130,675	4,704,425
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	--	--	103,182	103,182	103,182
Net loss for the year after taxation	--	--	(499,137)	(499,137)	(499,137)
<b>Balance as at June 30, 2008</b>	<b>3,573,750</b>	<b>629,444</b>	<b>105,276</b>	<b>734,720</b>	<b>4,308,470</b>
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	--	--	76,775	76,775	76,775
Net loss for the year after taxation	--	--	(163,208)	(163,208)	(163,208)
<b>Balance as at June 30, 2009</b>	<b>3,573,750</b>	<b>629,444</b>	<b>18,843</b>	<b>648,287</b>	<b>4,222,037</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
Dewan Abdul Bequl Farooqui  
Director

  
Dewan M. Yousuf Farooqui  
Chairman / Chief Executive



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

### **1 THE COMPANY AND ITS OPERATIONS**

Dewan Cement Limited (the Company / DCL) was incorporated in Pakistan as a public limited company in March, 1980. Its shares are quoted on the Karachi and Lahore Stock Exchanges since June, 1989. The registered office of the Company is situated at 7th Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The principal activity of the Company is manufacture and sale of cement. The Company has two production facilities at Deh Dhando, Dhabeji Karachi, Sindh and Kamilpur Hattar Industrial Estate, district Hattar N.W.F.P.

### **2 BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention except that certain fixed assets and certain investments have been included at fair values in accordance with the relevant International Financial Reporting Standards (IFRSs).

### **3 GOING CONCERN ASSUMPTION**

The financial statements for the year ended June 30, 2009 reflect loss after taxation of Rs.163.208 million (2008:499.137 million) and as of that date its current liabilities exceeded its current assets by Rs.3,600.460 million (2008:Rs.2,475.743 million). The company's short term borrowing facilities have expired and not been renewed and the company has been unable to ensure scheduled payments of long term borrowings due to the liquidity problems. Following course, certain lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The liquidity crunch presently faced by the company is due to the fact that the banks / financial institutions did not give due committed support to the company for completion of its line II project in south.

However, the management is of the view that since operating cash flows of the company are positive, the company as a going concern would be a viable unit. Accordingly, during the year, the company has approached its lenders for the restructuring of its entire debt in the following manner:

- (a) All the debt obligations of the company be converted into a Privately Placed TFC of eight years inclusive of grace period of 3 years
- (b) Principal to be repaid in equal half-yearly installments with first such payment falling due after six months from the end of grace period; and
- (c) Mark-up payable as on December 31, 2008 to be freezed and paid quarterly over a period of four years from the date of restructuring.

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders in near future.

Accordingly, these financial statements have been prepared on a going concern basis.

### **4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### **4.1 Property, plant and equipment**

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making the estimates, Company uses the technical resources available with the Company. Any change in the estimates in future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on depreciation charge and impairment.



#### 4.2 Stores and spare parts

The Company reviews the net realizable value (NRV) of stores and spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

#### 4.3 Stock-in-trade

The Company reviews the NRV of stock-in-trade to assess any diminution in the respective carrying value. NRV is estimated with reference to the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

#### 4.4 Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

#### 4.5 Future estimation of export sales

Provision for deferred tax has been calculated based on an estimate that the future ratio of export sales to total sales will remain at the same level as average of last three years including the current financial year. Any change in the estimate in future years will affect the provision in this regard in those years.

### 5 SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

#### Initial Application of a standard or an Interpretation

The following standards, amendments and interpretations become effective during the current year;

- IFRS 7 - Financial instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.
- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.
- IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008).



- IFRIC 14 - Clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.

**Standards, Interpretations and Amendments not yet effective**

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 'Consolidated and separate financial statements'(effective for annual periods beginning on or after 1 January 2009).
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS I Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 - Share-based Payment- Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).
- IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) .
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).



## 5.2 Fixed assets and depreciation

### 5.2.1 Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation or accumulated impairment, if any, except capital work-in-progress which is stated at historical cost and freehold land which is stated at revalued amount.

The value of leasehold land is being amortised over the lease period in equal installments.

Quarry development cost is amortised over its estimated useful life.

Depreciation on additions is charged from the month in which the asset is available for use, whereas on disposals, no depreciation is charged in the month of disposal. Depreciation on all tangible fixed assets, except plant and machinery, is charged to profit and loss account using the reducing balance method at the rates mentioned in note 6.1 to the financial statements. Depreciation on plant and machinery is charged using units of production method.

For revalued assets, valuations are conducted frequently enough to ensure that the fair value of revalued assets do not differ materially from its carrying amount. Surplus arising on revaluation is credited to surplus on revaluation of fixed assets account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit, net of the related deferred tax.

The carrying values of property, plant and equipment are reviewed for impairment on periodic basis. If any indication exists that the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements which increases the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the relevant assets. The are included in the profit and loss account. When revalued assets are sold, the relevant undepreciated surplus is transferred directly by the Company to its unappropriated profit account.

### 5.2.2 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

### 5.2.3 Assets subject to finance lease

The Company accounts for fixed assets acquired under finance lease by recording the assets and the related liability at the amounts which are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to profit and loss account applying the same basis as for owned assets.



**5.2.4 Capital work-in-progress**

All expenditure connected with specific assets incurred during development, installation and construction period are carried as capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

**5.2.5 Borrowing costs**

The Company capitalizes borrowing costs relating to qualifying assets, during the period in which these are acquired and developed for the intended use. Other borrowing costs are charged to profit and loss account.

**5.2.6 Intangible assets**

Computer software costs that are directly associated with computer and computer controlled machines which cannot operate without the related specific software, are included in the costs of the respective assets. Software which are not an integral part of the related hardware are classified as intangible assets.

**5.3 Investments*****At fair value through profit or loss***

These investments are initially recognized at fair value. Subsequent to initial recognition, these are measured at fair value (generally the quoted market price). All realized and unrealized gains and losses arising from changes in fair value of investments are taken to profit and loss account in the period in which such gains and losses arise.

**5.4 Stores and spare parts**

These are valued at lower of average cost and net realisable value (NRV). Stores and spare parts in-transit are valued at invoice value plus other charges incurred thereon.

Provision / write off, if required, is made in the accounts for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

**5.5 Stock-in-trade**

These are valued at lower of cost and net realisable value (NRV). Cost is determined as follows:

- |                                      |                                     |
|--------------------------------------|-------------------------------------|
| - Raw and packing material           | - at average cost                   |
| - Work-in-process and finished goods | - at average cost of goods produced |

NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessarily to be incurred to make the sale.

**5.6 Trade debts and other receivables**

Trade debts are recognized at invoice value (which is generally the fair value) less provision for uncollectible amounts, if any. Provision for doubtful debts is based on management's assessment of customers' credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

**5.7 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**5.8 Taxation****5.8.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation or based on turnover at the specified rates, whichever is higher, after taking into account tax credits and rebates available.



### 5.8.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

### 5.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cheques in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### 5.10 Revenue recognition

Sales are recorded on passage of title to the customers which generally coincides with dispatch of goods to customers.

Dividend income is recognized when right to receive the dividend is established.

Profit on bank deposits, interest income and other revenues are accounted for on accrual basis.

### 5.11 Employee benefits

#### 5.11.1 Provident fund

The Company operates separate defined contributory provident funds for all its employees who are eligible for the plan. Equal contributions are made by the Company and employees to the funds at the rate of 8.33 percent of basic salary.

#### 5.11.2 Gratuity scheme - discontinued

Up to the last year Company operated an unfunded gratuity scheme for eligible employees of the former DCL (i.e. excluding employees of former DHCL). Provision for gratuity was based on actuarial recommendations, however, from the current year, the management has decided to keep only provident fund as staff retirement benefit and accordingly discontinued the gratuity scheme to bring the retirement policy in line for all the employees of the merged entities.

#### 5.11.3 Compensated absences

The Company accounts for compensated absences on the basis of unavailed earned leaves balance of each employee at the end of the year using current salary levels.

### 5.12 Foreign currency translation

Transactions in foreign currencies are converted into Pak Rupees (functional currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using exchange rates prevailing on the balance sheet date. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. All exchange differences are included in the profit and loss account.



**5.13 Financial instruments**

Financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the government are not financial instruments of the Company.

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**5.14 Related party transactions**

All transactions with related parties are priced using the methods prescribed under the Companies Ordinance, 1984 as approved by the Board of Directors of the Company.

	Note	June 30, 2009 ----- (Rupees in '000')	June 30, 2008 ----- (Rupees in '000')
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets - Owned	6.1	19,197,236	14,604,687
Assets subject to finance lease	6.2	12,952	41,571
Capital work in progress	6.4	804,945	5,280,987
		<u>20,015,133</u>	<u>19,927,245</u>

**6.1 Operating assets - Owned**

	COST / REVALUATION			ACCUMULATED DEPRECIATION				Book Value as at June 30, 2009	Rate %	
	As at July 01, 2008	Additions / (disposals)	Transfers	As at June 30, 2009	As at July 01, 2008	Adjustment for transfers / disposals	for the year			As at June 30, 2009
	(Rupees in '000')									
Leasehold land	150,000	--	--	150,000	1,500	--	1,500	3,000	147,000	1
Freehold land	150,521	--	--	150,521	--	--	--	--	150,521	--
Quarry	915	--	--	915	915	--	--	915	--	--
Buildings on leasehold land and quarry development	845,076	--	--	845,076	220,624	--	59,362	279,986	565,090	5 to 10
Buildings and civil works on Freehold land	957,137	--	--	957,137	404,558	--	55,172	459,730	497,407	5 to 10
Roads	124,966	--	--	124,966	60,987	--	3,199	64,186	60,780	5
Plant and machinery	14,111,284	5,024,486	12,500	19,148,270	1,132,412	545	328,385	1,461,342	17,686,928	UOP
Electric installation	34,726	--	--	34,726	23,641	--	554	24,195	10,531	5
furniture and fixture	84,354	--	--	84,354	58,639	--	2,585	61,224	23,130	10 to 20
Equipment	20,178	454	--	20,632	8,411	--	1,269	9,680	10,952	10 to 20
Computers	45,187	86	--	45,273	37,851	--	2,307	40,158	5,115	33
Vehicles	82,382	7,947 (3,280)	21,361	108,410	52,501	10,604 (1,941)	7,464	68,628	39,782	20
	<u>16,606,726</u>	<u>5,032,973</u> (3,280)	<u>33,861</u>	<u>21,670,280</u>	<u>2,002,039</u>	<u>11,149</u> (1,941)	<u>461,797</u>	<u>2,473,044</u>	<u>19,197,236</u>	



2008										
COST / REVALUATION				ACCUMULATED DEPRECIATION				Book Value as at June 30, 2008	Rate %	
As at July 01, 2007	Additions / (disposals)	Transfers	As at June 30, 2008	As at July 01, 2007	Adjustment for transfers / disposals	for the year	As at June 30, 2008			
(Rupees in '000')										
Leasehold land	150,000	--	--	150,000	--	--	1,500	1,500	148,500	1
Freehold land	150,000	521	--	150,521	--	--	--	--	150,521	--
Quarry	915	--	--	915	915	--	--	915	--	--
Buildings on leasehold land and quarry development	845,076	--	--	845,076	154,846	--	65,778	220,624	624,452	5 to 10
Buildings and civil works on Freehold land	957,137	--	--	957,137	343,261	--	61,297	404,558	552,579	5 to 10
Roads	124,966	--	--	124,966	57,620	--	3,367	60,987	63,979	5
Plant and machinery	14,111,284	--	--	14,111,284	746,984	--	385,428	1,132,412	12,978,872	UOP
Electric installation	34,726	--	--	34,726	23,058	--	583	23,641	11,085	5
furniture and fixture	82,119	2,235	--	84,354	55,586	--	3,053	58,639	25,715	10 to 20
Equipment	16,367	3,811	--	20,178	7,234	--	1,177	8,411	11,767	10 to 20
Computers	43,994	1,193	--	45,187	34,628	--	3,223	37,851	7,336	33
Vehicles	73,813	9,454 (885)	--	82,382	46,149	(577)	6,929	52,501	29,881	20
	<b>16,590,397</b>	<b>17,214 (885)</b>	--	<b>16,606,726</b>	<b>1,470,281</b>	<b>(577)</b>	<b>532,335</b>	<b>2,002,039</b>	<b>14,604,687</b>	

6.1.1 In June 2007 the Company had revalued its leasehold and freehold land, buildings on leasehold and freehold lands and plant and machinery. The revaluation exercise was carried out by Sipra & Company (Private) Limited. Such revaluation resulted in surplus of Rs. 4,456 million over its written down value which was added to the carrying amount of these fixed assets and credited to surplus on revaluation of fixed assets.

6.1.2 Had there been no revaluation, the net book value of the specific items of property, plant and equipment would have been as follows:

	June 30, 2009	June 30, 2008
	----- (Rupees in '000') -----	
Freehold land	47,313	47,313
Leasehold land	1,782	1,816
Buildings on leasehold land and quarry development	289,150	317,853
Buildings and civil work on freehold land	771,617	857,257
Plant and machinery	<u>12,176,877</u>	<u>7,366,680</u>
	<u><b>13,286,739</b></u>	<u><b>8,590,919</b></u>



6.2 Assets subject to finance lease

	COST			ACCUMULATED DEPRECIATION				Book Value as at June 30, 2009	Rate %
	As at July 01, 2008	Additions/ (disposals)	Transfers	As at June 30, 2009	As at July 01, 2008	on (disposals) / transfer	for the year		
(Rupees in '000')									
Plant and machinery	12,500	--	(12,500)	--	545	(545)	--	--	UOP
Vehicles	44,746	--	(21,361)	23,385	15,130	(10,604)	5,907	10,433	20
<b>2009</b>	<b>57,246</b>	<b>--</b>	<b>(33,861)</b>	<b>23,385</b>	<b>15,675</b>	<b>(11,149)</b>	<b>5,907</b>	<b>10,433</b>	<b>12,952</b>

	COST			ACCUMULATED DEPRECIATION				Book Value as at June 30, 2008	Rate %
	As at July 01, 2007	Additions/ (disposals)	Transfers	As at June 30, 2008	As at July 01, 2007	on (disposals) / transfer	for the year		
(Rupees in '000')									
Plant and machinery	12,500	--	--	12,500	296	--	249	545	UOP
Vehicles	44,576	170	--	44,746	7,681	--	7,449	15,130	20
<b>2008</b>	<b>57,076</b>	<b>170</b>	<b>--</b>	<b>57,246</b>	<b>7,977</b>	<b>--</b>	<b>7,698</b>	<b>15,675</b>	<b>41,571</b>

June 30, 2009      June 30, 2008  
 -----(Rupees in '000')-----

6.3 The depreciation charge for the year has been allocated as follows:

Cost of sales - Manufacturing overheads	460,360	532,309
Distribution cost	443	435
Administrative expenses	6,901	7,289
	<u>467,704</u>	<u>540,033</u>

Note      June 30, 2009      June 30, 2008  
 -----(Rupees in '000')-----

6.4 Movement is as follows:

Opening balance	5,280,987	4,135,213
Additions	548,447	1,145,774
	<u>5,829,434</u>	<u>5,280,987</u>
Less: capitalized during the year	6.4.1      5,024,489	--
	<u>804,945</u>	<u>5,280,987</u>

Breakup is as follows:

Plant and machinery	773,795	4,297,320
Civil and ancillary works	--	496,549
Stores held for capital expenditure	--	344,784
Advance to suppliers and contractors	--	23,684
Assets subject to finance lease	6.4.2      773,795	5,162,337
- plant and machinery pending installation	--	87,500
- computers	31,150	31,150
	<u>31,150</u>	<u>118,650</u>
	<u>804,945</u>	<u>5,280,987</u>



6.4.1 Represents cost of South unit (Line II) capitalized during period thereby enhancing annual capacity by 960,000 metric tons. It includes trial run cost net of sale proceeds as follows:

	June 30, 2009	June 30, 2008
	----- (Rupees in '000') -----	
<b>Cost of manufacturing</b>		
Material consumed	35,583	-
Fuel and power	205,140	-
Salaries, wages and benefits	5,916	-
Stores consumed	8,777	-
Others	10,806	-
	<b>266,222</b>	-
<b>Sales proceeds:</b>		
Gross local sales	216,269	-
Export sales	91,378	-
Less: federal excise duty	(42,259)	-
special excise duty	(1,864)	-
sales tax	(36,375)	-
sales incentives	(649)	-
	<b>226,500</b>	-
Trial run loss capitalized	<b>39,722</b>	-

6.4.2 Includes in-transit plant, machinery and equipment amounting to Rs. 516.545 million (2008: Rs. 517.225 million).

6.4.3 Additions to capital work in progress includes borrowing cost capitalized during the year amounting to Rs. 150.152 million (2008: Rs. 590.086 million).

**6.5 Disposal of operating property, plant and equipment**

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (loss)	Mode of Disposal	Particulars of Buyer
----- (Rupees in '000') -----							
<b>Vehicles:</b>							
Suzki Margala	522	492	30	221	191	Insurance Claim	Adamjee Insurance
Suzuki Bolan	272	258	14	137	123	Insurance Claim	Adamjee Insurance
Santro Club	609	280	329	351	22	Negotiation	S. N. Jaffery (Employee)
Santro Club Gv	579	210	369	615	246	Negotiation	S. N. Jaffery (Employee)
Santro	519	308	211	211	-	Negotiation	M. Ilyas Haideri (Employee)
Kia Spectra	779	393	386	250	(136)	Insurance Claim	Adamjee Insurance
	<b>3,280</b>	<b>1,941</b>	<b>1,339</b>	<b>1,785</b>	<b>446</b>		

**7 LONG TERM DEPOSITS**

	June 30, 2009	June 30, 2008
	----- (Rupees in '000') -----	
Lease deposits	28,261	50,871
Electricity and gas deposits	41,546	23,152
Others	196	346
	<b>70,003</b>	<b>74,369</b>


**8 LONG TERM LOANS**

	Note	June 30, 2009	June 30, 2008
----- (Rupees in '000) -----			
Considered good			
Executives	8.1 & 8.2	592	988
Employees	8.2	1,342	--
Less: Due within one year, shown under current loans and advances	12	1,934	988
		347	347
		<u>1,587</u>	<u>641</u>

**8.1 Reconciliation of carrying amount of loans to executives**

	Opening Balance	Disbursement	Repayment	Closing Balance
----- (Rupees in '000') -----				
June 30, 2009	988	--	(396)	592
June 30, 2008	1,052	--	(64)	988

**8.2** Represents interest free unsecured loans to executives and employees for purchase of vehicles and house building purposes. These are repayable in lump sum or by way of monthly installments within a period of 5 years or retirement date whichever is earlier. Maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.170 million (2008: Rs. 1.040 million).

	Note	June 30, 2009	June 30, 2008
----- (Rupees in '000) -----			
<b>9 STORES AND SPARE PARTS</b>			
Stores and spare parts - In hand		373,783	302,617
- In transit		7,346	96,120
		<u>381,129</u>	<u>398,737</u>
Less: Provision for obsolescence		1,237	1,237
		<u>379,892</u>	<u>397,500</u>
<b>10 STOCK-IN-TRADE</b>			
Raw and packing material		58,599	31,404
Work in process		223,615	85,680
Finished goods		101,955	10,718
		<u>384,169</u>	<u>127,802</u>
<b>11 TRADE DEBTS - Unsecured</b>			
Considered good		316,485	715,855
Considered doubtful		54,953	54,953
		<u>371,438</u>	<u>770,808</u>
Less: Provision for doubtful debts		54,953	54,953
		<u>316,485</u>	<u>715,855</u>
<b>12 LOANS AND ADVANCES - Unsecured</b>			
Current portion of loans due from:			
Executives	8	347	347
Advances - Unsecured			
Considered good			
Employees - against salaries		830	775
- against expenses		4,322	2,946
		5,152	3,721
Suppliers and contractors		143,710	126,647
Considered doubtful			
Suppliers and contractors		63,631	63,631
Less: Provision for doubtful advances		63,631	63,631
		--	--
		<u>149,209</u>	<u>130,715</u>



13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note	June 30, 2009	June 30, 2008
		(Rupees in '000')	
Trade deposits - Considered good			
Short term deposits		747	471
Margin against bank guarantees	28.1(b)	12,843	12,843
Others		<u>1,054</u>	<u>1,054</u>
		14,644	14,368
Short term prepayments		11,728	16,314
Sales tax on advances		<u>1,606</u>	<u>1,606</u>
		<u><u>27,978</u></u>	<u><u>32,288</u></u>
14 OTHER RECEIVABLES - Considered good			
Excise duty recoverable	14.1	2,705	2,705
Furnace oil claim	14.2	764	764
Sales tax claim	14.3	13,502	13,502
Deferred input tax	14.4	--	17,246
Insurance claim		2,988	--
Others		--	4,926
		<u>19,959</u>	<u>39,143</u>
14.1	Represents claims of Central Excise Duty (CED) filed by the Company before the collector of Central Excise Karachi and large tax payer unit for the different periods.		
14.2	Represents claims of refund from the Oil Companies for short supply of furnace oil.		
14.3	Represents claims of Sales tax filed before the collector of sales tax and large tax payer unit for the different periods.		
14.4	Related to Line II and has been claimed upon commencement of commercial operations.		
15 SHORT TERM INVESTMENTS			
At fair value through profit or loss			
	June 30, 2009	June 30, 2008	
	Number of shares	(Rupees in '000')	
144,917	144,917	Cherat Cement Limited	1,961
17,717	17,717	Crescent Standard Investment Bank Limited	53
6,930	6,930	Trust Commercial Bank Limited	69
2,603	2,603	Royal Bank of Scotland Limited.	44
190	190	Standard Chartered Bank Limited	2
92,500	92,500	Zeal Pak Cement Limited	43
			<u>2,172</u>
			<u>4,656</u>
16 CASH AND BANK BALANCES			
Cash in hand		79	148
With banks:			
- on deposit / PLS saving accounts		1,532	2,489
- on current accounts		<u>120,700</u>	<u>129,935</u>
		<u>122,232</u>	<u>132,424</u>
		<u><u>122,311</u></u>	<u><u>132,572</u></u>





16.1 These represent term deposit accounts and PLS saving accounts with commercial banks carrying profit ranging from 5.7 percent to 7 percent (2008: 4.0 percent to 7.0 percent) per annum. Deposits have a maturity of less than three months.

	Note	June 30, 2009	June 30, 2008
		————(Rupees in '000')————	
<b>17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
336,125,000 (2008: 336,125,000) Ordinary shares of Rs.10 each fully paid in cash		3,361,250	3,361,250
21,250,000 (2008: 21,250,000) Ordinary shares of Rs.10 each issued as bonus shares		212,500	212,500
		<u>3,573,750</u>	<u>3,573,750</u>

17.1 148,307,273 (2008: 148,307,273) shares are held by associated companies.

**18 SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX**

<b>Gross surplus</b>			
Opening balance		5,874,932	6,033,045
Transfer to unappropriated profit in respect of incremental depreciation charged during the current year		(116,776)	(158,113)
		<u>5,758,156</u>	<u>5,874,932</u>
<b>Less: Related deferred tax</b>			
Opening balance		1,859,992	1,942,377
depreciation charged during the year		(40,001)	(54,931)
Effect of reduction in effective tax rate on account of a portion of the income of the Company being assessed under Final Tax Regime		(69,547)	(27,454)
		<u>1,750,444</u>	<u>1,859,992</u>
		<u>4,007,712</u>	<u>4,014,940</u>

18.1 The balance of surplus on revaluation of fixed assets is not available for distribution to shareholders.

**19 LONG TERM FINANCING**

<b>Long-term loan financial institution - Secured</b>			
Long term loan - I	19.1	93,333	93,333
Long term loan - II	19.2	70,000	70,000
Long term loan - III	19.3	200,000	200,000
Long term loan - IV	19.4	300,000	300,000
Long term loan - V	19.5	75,000	75,000
Long term loan - VI	19.6	310,369	310,369
Long term loan - VII	19.7	500,000	500,000
Long term loan - VIII	19.8	350,000	350,000
Long term loan - IX	19.9	165,000	165,000
Long term loan - X	19.10	250,000	—
		<u>2,313,702</u>	<u>2,063,702</u>
Less: Current maturity		(623,936)	(410,108)
Over due portion		(433,441)	(23,333)
		<u>1,256,325</u>	<u>1,630,261</u>
Financing against documentary credit		—	199,979
		<u>1,256,325</u>	<u>1,830,240</u>
<b>Unsecured</b>			
From sponsors	19.11	317,383	317,383
From investors	19.12	26,553	26,553
Others	19.13	101,286	101,286
		<u>445,222</u>	<u>445,222</u>
		<u>1,701,547</u>	<u>2,275,462</u>



- 19.1 Represents loan obtained from a Development Financial Institution (DFI) carrying mark up at the rate of KIBOR plus 2.5% with sales price of Rs. 120 million and purchase price of Rs. 234.4 million. The loan is repayable in 9 equal semi-annual installments commencing one year after the date of disbursement of loan i.e. April 26, 2006. The loan is secured by way of hypothecation ranking charge over fixed assets to be converted in to first pari passu charge within 90 days from the date of disbursement.
- 19.2 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 2.5% with sales price of Rs. 80 million and purchase price of Rs. 137.254 million. The loan is repayable in 8 equal semi-annual installments commencing eighteen months after the date of disbursement of loan i.e. June 28, 2006. The loan is secured by way of first pari passu charge on fixed assets of the Company including land, building and machinery with 25% margin on facility amount.
- 19.3 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 3.25% with sales price of Rs. 200 million and purchase price of Rs. 289.375 million. The loan is repayable in 8 equal semi-annual installments starting two years after the date of disbursement of loan i.e. November 1, 2006. The loan is secured by way of ranking charge convertible to a first pari-passu charge within ninety days of the disbursement of the facility over all present and future fixed assets of the Company with a margin of 25 percent.
- 19.4 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 4.5% with sales price of Rs. 300 million and purchase price of Rs. 637.685 million. The loan is repayable in 6 equal semi-annual installments commencing thirty months after the date of disbursement of loan i.e. November 7, 2006. The loan is secured by way of first pari-passu charge over all present and future fixed assets of the Company and corporate guarantees provided by certain group companies.
- 19.5 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 3% with sales price of Rs. 75 million and purchase price of Rs. 117.729 million. The loan is repayable in 8 equal semi-annual installments commencing two years after the date of disbursement of loan i.e. July 28, 2006. The loan is secured by way of hypothecation ranking charge over all present and future fixed assets of the Company with 25 percent margin to be converted in to first pari-passu charge in favour of the DFI within 120 days from the date of first drawdown of the facility.
- 19.6 Represents disbursed amount of loan facility amounting to Rs. 320 million obtained from a commercial bank carrying mark up at the rate of KIBOR plus 2.9% with sales price of Rs. 320 million and purchase price of Rs. 563.200 million. The loan is repayable in 10 equal semi-annual installments commencing thirty months after the date of disbursement of loan i.e. October 31, 2006. The loan is secured by creating first pari-passu charge by way of hypothecation over the hypothecated assets in the sum of Rs. 426.667 million in favour of the bank, creation of first pari-passu charge by way of mortgage by deposit of title deeds in respect of the mortgaged properties in the sum of Rs. 426.667 million in favour of the bank and execution of a demand promissory note of Rs. 563.200 million in favour of the bank.
- 19.7 Represents loan obtained from a commercial bank carrying mark up at the rate of KIBOR plus 2.5% with sales price of Rs. 500 million and purchase price of Rs. 975.562 million. The loan is repayable in 10 equal semi-annual installments commencing 30 months after the date of disbursement of loan i.e. October 31, 2006. The loan is secured by creating first pari-passu charge by way of hypothecation over the hypothecated assets in the sum of Rs. 666.667 million in favour of the bank and creation of first pari-passu charge by way of mortgage by deposit of title deeds in respect of the mortgaged properties in the sum of Rs. 666.667 million in favour of the bank.
- 19.8 Represents long-term financing obtained from a commercial bank disbursed on June 06, 2006 with sale price of Rs. 500 million and purchase price of Rs. 700 million. The loan is repayable in 10 equal semi-annual installments which commenced from December 2006. This carries mark-up at the rate of KIBOR plus 2.5 percent per annum. The loan is secured by creating first pari passu hypothecation charge over present and future plant and machinery and creation of first pari passu equitable mortgage charge over all land and building.
- 19.9 Represents loan obtained from a commercial bank carrying mark up at the rate of 3 months KIBOR plus 2% with sales price of Rs. 165 million and purchase price of Rs. 239.309 million. The loan is repayable in 13 equal quarterly installments beginning one year after the date of restructuring of terms of loan i.e. June 28, 2008. The loan is secured by creating first pari-passu charge by way of hypothecation over the hypothecated assets in the sum of Rs. 240 million in favour of the bank. Initially a ranking charge is created which will be upgraded to 1st pari passu charge with in 120 days of draw down.



**19.10** Represent medium term finance obtained from a commercial bank carrying markup @ three months KIBOR plus 2% per annum with sales price of Rs.250 million and purchase price of 353.136 million. The loan is repayable in eight equal quarterly installments commencing from the fifth quarter from date of disbursement. The financing is secured by ranking hypothecation charge and equitable mortgage over fixed assets of the company valuing 333.33 million with 25% margin. The charge was to be converted into first pari passu within 180 days from date of disbursement.

**19.11** This represents interest / mark-up free unsecured loan from sponsors of the Company and repayable after twelve months.

**19.12** These are unsecured, interest / mark-up free borrowings from an investor as a long-term finance. The specific terms, conditions and security arrangements have not yet been finalized.

**19.13** Represents unsecured interest-free borrowing from certain individuals and are expected to be due after one year. The terms and conditions for repayment are yet to be finalized.

## **20 ADVANCES FOR INVESTMENT IN TERM FINANCE CERTIFICATES**

	Note	June 30, 2009 ----- (Rupees in '000')	June 30, 2008 ----- (Rupees in '000')
<b>Secured</b>	20.1	<u><b>3,850,000</b></u>	<u><b>3,850,000</b></u>

**20.1** It represents private placement (Pre-IPO) investment of Rs. 3,850 million received as advanced against issue of rated, listed and secured term finance certificates out of total issue of Rs. 5,000 million for a tenure of six years. The company was required to complete the public offering on or before 270 days of signing of the respective agreements. i.e. October 05, 2008. The company was unable to complete the requisite formalities of public offering due to the factors beyond its control (Force Majeure) i.e. global recession and unforeseen shut down of stock exchanges. Following course, certain investors have filed suits and winding up petitions in Hon'able High Court of Sindh as more fully explained in note 28.1(c). Till the matter is resolved suitably with investors, management has decided to classify the same as long term liabilities.

The principal terms and conditions for the proposed issue of rated, listed and secured Term Finance Certificates (TFCs) were as follows:

- The tenor was six years inclusive of a grace period of 18 months.
- Profit payments payable semiannually in arrears on the outstanding principal amount and calculated on a 365-days year basis. The first profit payment will fall due six months from the issue date and subsequently every six months thereafter.
- Carries a floating rate of return of KIBOR plus 2 percent per annum.
- Will be redeemed in nine equal semi annual installments starting from the twenty-fourth month of the issue.
- Secured by first pari passu charge over plant and machinery and land and buildings.

## **21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

**21.1** Represents finance leases entered into with leasing companies for lease of vehicles and machinery. Total lease rentals due under various lease agreements aggregate Rs. 133.878 million (2008: Rs. 186.048 million) payable in monthly / quarterly installments latest by January 2012. Overdue rental payments are subject to an additional charge upto 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates ranging from 17.76 percent to 20.57 percent per annum have been used as discounting factor. Purchase options can be exercised by the lessee, paying 10 percent of the leased amount. The movement in the finance lease liability is as follows:



	June 30, 2009		June 30, 2008	
	Minimum	Present Value	Minimum	Present Value
	(Rupees in '000')			
Less than one year	100,578	97,238	93,638	82,340
Within one to five years	33,300	31,494	92,410	88,949
Total	133,878	128,732	186,048	171,289
Less: Financial charges allocated to the future periods	5,146	—	14,759	--
Present value of minimum lease payments	128,732	128,732	171,289	171,289
Less: Current and overdue portion	97,238	97,238	82,340	82,340
	31,494	31,494	88,949	88,949

**22 LONG TERM DEPOSITS AND PAYABLES**

Note June 30, 2009 June 30, 2008  
 -----(Rupees in '000')-----

Security deposits		748,282	748,147
Retention money		64,947	64,947
Provision in respect of supplier's credit	22.1	109,800	109,800
		<u>923,029</u>	<u>922,894</u>

22.1 Represents bills payable in respect of plant and machinery imported. In respect of such liability, in prior years, a memorandum of understanding was signed alongwith a repayment plan. However, in view of certain disputes, this amount is still appearing as payable. The matter is currently under litigation and the amount that would actually be payable and its timing are now considered to be uncertain. In view of litigation and dispute in respect of amount involved, as well as, the expected time that litigation would entail, the management is confident that this provision is not payable within the next twelve months and has, accordingly, been included in non current liabilities.

**23 DEFERRED LIABILITIES**

Note June 30, 2009 June 30, 2008  
 -----(Rupees in '000')-----

Deferred taxation	23.1	1,750,444	2,043,478
Gratuity scheme	23.2	--	22,319
		<u>1,750,444</u>	<u>2,065,797</u>

**23.1 Deferred taxation**

Deferred taxation comprises temporary difference relating to:

Accelerated tax depreciation	1,912,551	1,712,917
Surplus on revaluation of fixed assets	1,929,123	1,968,454
Provisions	(41,937)	(41,937)
Others	(29,620)	29,624
Effect of reduction in effective tax rate on account of transfer of income of the company being assessed under Final Tax Regime	3,770,117	3,669,058
	(349,196)	(202,165)
	<u>3,420,921</u>	<u>3,466,893</u>
Accumulated tax losses	(1,670,477)	(1,423,415)
	<u>1,750,444</u>	<u>2,043,478</u>

23.1.1 The company has not recognized deferred tax asset amounting to Rs.213.382 million arising due to available tax losses, as sufficient future taxable profits may not be available against which the said asset could be utilized. The deferred tax liability carried in the financial statements represents the related deferred tax liability arising due to surplus on revaluation of property, plant and equipment.


**23.2 Gratuity scheme**

During the year the gratuity scheme has been discontinued as explained in note 5.11.2 to the financial statements, accordingly the liability for gratuity has been written back in these financial statements.

24 TRADE AND OTHER PAYABLES	Note	June 30, 2009	June 30, 2008
————(Rupees in '000')————			
Creditors	24.1	699,900	789,155
Book debts		67,835	48,446
Accrued liabilities		255,017	210,163
Advance from customers		333,638	330,029
Custom duty		39,175	53,881
Creditors for capital expenditure		24,060	47,612
Excise duty and royalty payable		117,724	78,020
Workers' profits participation fund	24.2	37,545	32,648
Dividend payable		12,929	12,929
Tax deducted at source		10,414	10,123
Workers' Welfare Fund		3,368	3,368
Unpaid and unclaimed dividend		1,780	1,780
Security deposits		270	270
Compensated absences		19	19
Others		20,951	31,323
		<u>1,624,625</u>	<u>1,649,766</u>

**24.1** Included an aggregate amount of Rs. 351.866 million (2008: Rs. 291.017 million) representing overdue letters of credit which carry markup @ 14.76 % (2008: 16.19%).

**24.2 Workers' profits participation fund (WPPF)**

Opening balance	32,648	28,415
Allocation for the year	—	—
	<u>32,648</u>	<u>28,415</u>
Payments made during the year	—	(29)
Interest charged during the year	4,897	4,262
	<u>37,545</u>	<u>32,648</u>

**25 SHORT TERM BORROWINGS**

<b>Running finance under markup arrangement</b>	25.1	189,875	159,646
<b>Export refinance</b>			
- Export refinance I	25.2	100,000	100,000
- Export refinance II	25.3	121,000	160,000
- Export refinance III		—	78,375
		<u>221,000</u>	<u>338,375</u>
<b>Bridge finance</b>			
- From syndicate	25.4	250,000	250,000
		<u>660,875</u>	<u>748,021</u>

**25.1** Represents utilized portion of facility of Rs. 200 million (2008: Rs. 200 million). The finance carries mark up at six months KIBOR plus 3% (2008: six months KIBOR plus 3%), payable quarterly in arrears. The facility is secured by way of first pari passu charge of Rs. 234 million (2008: Rs. 234 million) on Company's stocks/book debts. This facility was valid upto 30 June 2009. The bank has filed a suit in High Court as more fully explained in note 28.1(d).

**25.2** The finance carries mark up at 7.5% per annum, payable quarterly. The facility is secured by way of ranking charge on present and future current assets of the Company of Rs. 133 million. This facility is valid upto 24 August 2008 which has not been renewed by the bank.



25.3 The finance carries mark up at 7.5% per annum, payable quarterly. The facility is secured by way of pari passu charge of Rs. 237 million on stocks and book debts of the Company. The bank has filed a suit in High Court as more fully explained in note 28.1(d).

25.4 The syndicated finance facility is obtained from two banks in the share of Rs. 150 million and Rs. 100 million. The syndicated loan carries mark up at six months KIBOR plus 2% per annum payable after six months. The facility is secured by way of first pari passu charge of Rs. 333.33 million on the Company's fixed assets. The facility was valid upto 12 September 2008 and has not been renewed by the banks.

	Note	June 30, 2009	June 30, 2008
		----- (Rupees in '000') -----	
<b>26 MARKUP PAYABLE</b>			
Advances for investment in term finance certificates	20	464,491	173,257
Debentures - Term finance certificates		178,636	179,081
Long term financing		347,927	203,578
Short term borrowings		51,654	--
		<u>1,042,708</u>	<u>555,916</u>
<b>27 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS</b>			
Debentures - Term finance certificates	27.1		
Old TFCs - Series A		554,268	559,663
Old TFCs - Series B		38,031	38,578
Liabilities against assets subject to finance lease	21	97,238	82,340
Long term financing	19	1,057,377	433,441
		<u>1,746,914</u>	<u>1,114,022</u>

27.1 During the last financial year, a meeting of the old TFCs holders was held in which it was resolved that prepayment by the Company of entire outstanding principal amount with respect to series "A" and series "C" TFCs along with markup for the period starting from July 15, 2007 to the date of prepayment and present value of series "B" TFCs calculated by using discount rate of 12.43% be made.

On March 13, 2008 the Company made early repayment of Rs. 3,806.531 million in respect of old TFCs out of total prepayment amount of Rs. 4,404.772 million.

## 28 CONTINGENCIES AND COMMITMENTS

### 28.1 Contingencies

- The Company is a party to legal proceedings pending in various courts and agencies in which it appears as defendant and plaintiff aggregating to Rs.378.311 million (2008: Rs. 353.753 million), the outcome of which cannot be established at this stage. The management, based on the strength of its cases and the advice of its lawyers, believes that no additional liability will arise out of these proceedings; hence no provision has been made in these financial statements.
- Guarantees amounting to Rs. 1.2 million (2008: Rs. 1.2 million) have been furnished in favour of the Ministry of Commerce, in respect of import license fee on import of machinery and equipment. The guarantees have expired and the matter is presently pending under dispute with the said ministry. The recovery of an equivalent amount included in "trade deposits and short-term prepayments" as margin against bank guarantees is also dependent on the outcome of the above matter. The management anticipates a favourable outcome of the dispute.
- In respect of liability disclosed in note 20 to the financial statements, out of the total investment of Rs.3,850 million, certain investors having investments to the extent of Rs. 1,275 million have filed suits in Hon'able High Court of Sindh at Karachi for recovery of their investment through attachment and sale of company's hypothecated / mortgaged properties. Certain investors, having investment to the extent of Rs.950 million have also filed winding up petition U/s 305 of the Companies Ordinance, 1984. The management disputes the claim and has strongly contested the case and has offered all the investors for restructuring of the investments made. The management is hopeful that the matter will be amicably resolved with the investors and liabilities will be restructured.



- (d) During the year, two financial institutions have filed suits in the High Court of Sindh U/s 9 of Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of their amounts through sale of company's assets. The aggregate suit amount is Rs. 429.739 million.

The company strongly contested the case and submitted its reply in Hon'able High Court. The matter is pending for hearing and outcome cannot be determined at this stage.

- (e) Subsequent to the year end on August 27, 2009, The Competition Commission of Pakistan has imposed a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 345 million on the company. The company has filed a petition against the order in the Honorable Lahore High Court on legal and factual grounds and a hearing is scheduled on October 13, 2009. Further, the Competition Ordinance, 2007 will require reconsideration and approval of National Assembly in line with the judgment of Honorable Supreme Court of Pakistan dated July 31, 2009. In view of above, management is hopeful that there will be no adverse outcome for the company. Accordingly, no liability has been accounted for in the books of the company.
- (f) On January 03, 2008, the Company has filed a refund claim for the period from June 17, 1994 to April 18, 1999, amounting to Rs. 608.015 million before Collector of Sales Tax and Federal Excise (the department) in view of Supreme Court judgment regarding the value of goods for the purpose of imposition of excise duty, under section 4(2) of the Central Excise Act, 1944 (the "1944 Act"). In the Supreme Court judgment it has been categorically held that no excise duty could be added to the retail price for levying excise duty under section 4(2) of the 1944 Act.

The department had filed petition for review of the judgment of the Supreme Court of Pakistan. Our refund application was returned with the comments that since the cases are subjudiced in review, the decision on refund will be taken after fate of review petitions is decided. On January 20, 2009, these petitions are dismissed as withdrawn by the Honorable Supreme Court of Pakistan. Subsequent to the balance sheet date company has again approached the Department for processing of refund, on account of inherent uncertainties involved in refund verification and processing, as a matter of prudence the company has not accounted for the above refund in the books of account of the Company.

	June 30, 2009	June 30, 2008
	----- (Rupees in '000') -----	
<b>28.2 Commitments</b>		
(a) Capital expenditure contracted for but not incurred	<u>126,671</u>	<u>135,414</u>
(b) Acceptances and letters of credit	<u>—</u>	<u>1,043</u>
<b>29 TURNOVER - NET</b>		
Turnover - Local	6,597,833	6,084,997
Less: Federal excise duty	980,811	1,125,789
Special excise duty	46,344	42,190
Sales tax	894,337	801,255
Sales incentives	14,307	21,114
	<u>1,935,799</u>	<u>1,990,348</u>
	<u>4,662,034</u>	<u>4,094,649</u>
Turnover - Export	<u>1,020,537</u>	<u>503,353</u>
	<u>5,682,571</u>	<u>4,598,002</u>



30 COST OF SALES	Note	June 30, 2009	June 30, 2008
----- (Rupees in '000) -----			
<b>Raw and packing materials consumed</b>			
Opening stock		31,404	58,049
Purchases		711,353	769,960
		<u>742,757</u>	<u>828,009</u>
Closing stock		(58,599)	(31,404)
		<u>684,158</u>	<u>796,605</u>
<b>Manufacturing overheads</b>			
Stores and spares consumed		167,592	163,140
Fuel and power		3,765,873	2,711,460
Salaries, wages and benefits	30.1	179,124	164,483
Repairs and maintenance		82,914	68,879
Depreciation	6.3	460,360	532,309
Insurance		44,599	45,625
Laboratory chemicals and quality control		3,044	4,697
Travelling and conveyance		12,730	8,774
Transportation		10,608	9,817
Vehicle running expense		4,449	3,306
Consultancy		6,809	11,844
Printing and stationery		1,184	1,818
Communication		692	808
Rates and taxes		1,615	1,377
Handling charges		13,735	14,341
Equipment hire charges		34	9,657
Fee and subscription		-	1,740
Others		38,849	7,268
		<u>4,794,211</u>	<u>3,761,343</u>
<b>Manufacturing cost</b>		<u>5,478,369</u>	<u>4,557,948</u>
Work in process - Opening		85,680	210,469
- Closing		(223,615)	(85,680)
		<u>(137,935)</u>	<u>124,789</u>
<b>Cost of goods manufactured</b>		<u>5,340,434</u>	<u>4,682,737</u>
Finished goods - Opening		10,718	34,307
Finished goods - Closing		(101,955)	(10,718)
		<u>(91,237)</u>	<u>23,589</u>
		<u>5,249,197</u>	<u>4,706,326</u>

30.1 This includes Rs. 5.77 million (2008: Rs. 5.1 million) in respect of the Company's contribution for provident funds, Rs. nil (2008: Rs. 5.164 million) recognised against gratuity scheme and Rs. 1.76 million (2008: Rs. 0.6 million) recognised against contribution to Employees Old Age Benefits Institution (EOBI).

31 DISTRIBUTION COST	Note	June 30, 2009	June 30, 2008
----- (Rupees in '000) -----			
Salaries, wages and benefits	31.1	8,715	10,513
Export expenses	31.2	172,062	71,422
Rent, rates and taxes		4,999	4,699
Postage		1,160	1,244
Advertisement		151	393
Insurance		995	1,424
Repairs and maintenance		354	738
Depreciation	6.3	443	435
Travelling and conveyance		14	31
Communication		12	955
Others		3,570	2,887
		<u>192,475</u>	<u>94,741</u>





31.1 These include Rs. 0.393 million (2008: Rs. 0.492 million) in respect of the Company's contribution for provident funds and Rs. nil (2008: Rs. 0.33 million) recognized against gratuity scheme and Rs. 0.067 million (2008: Rs. 0.055 million) recognized against contribution to EOBI.

31.2 Represents freight and handling charges and commission on cement exported during the year.

32 ADMINISTRATIVE EXPENSES	Note	June 30, 2009	June 30, 2008
		----- (Rupees in '000') -----	
Salaries, wages and benefits	32.1	53,138	57,041
Legal and professional charges		22,800	37,347
Repairs and maintenance		24,390	10,661
Insurance		3,466	4,279
Depreciation	6.3	6,901	7,289
Rent, rates and taxes		6,119	5,753
Fee and subscription		943	18,495
Provision during the year	32.2	—	74,508
Vehicle running expenses		11,649	6,524
Communication		6,265	4,655
Utilities		3,340	4,907
Newspaper and periodicals		554	3,348
Travelling, conveyance and cartage		3,455	4,442
Printing and stationery		2,174	2,018
Entertainment		893	585
Security service charges		3,382	612
Advertisement		—	196
Other expenses		8,065	4,155
		<u>157,534</u>	<u>246,815</u>

32.1 This includes Rs. 1.736 million (2008: Rs. 2.583 million) in respect of the Company's contribution for provident funds and Rs. nil (2008: Rs. 1.790 million) recognized against gratuity scheme and Rs. 0.284 million (2008: Rs. 1.790 million) recognized against contribution to EOBI.

32.2 Provision during the year	Note	June 30, 2009	June 30, 2008
		----- (Rupees in '000') -----	
Trade debts		—	10,877
Loans and advances		—	63,631
		<u>—</u>	<u>74,508</u>

33 OTHER OPERATING EXPENSES

Provision for stores and spare parts			
Written off			
- Intangible assets		—	31,317
- Other receivables		—	4,953
		—	36,270
Auditors' remuneration	33.1	3,820	4,459
Loss on sale of property, plant and equipment		—	14
Un realised loss on remeasurement of short term investments		2,484	4,505
Donations	33.2	4,907	49
Exchange loss - Net		16,398	43,028
		<u>27,609</u>	<u>88,325</u>
<b>33.1 Auditors' remuneration</b>			
Audit fee		2,600	2,600
Review of half-yearly interim condensed financial statements		900	900
Review of Code of Corporate Governance		300	150
Certification and advisory services		—	575
Out of pocket expenses		20	234
		<u>3,820</u>	<u>4,459</u>



33.2 Interest of the directors or their spouses in the donations made during the year is as follows:

	Note	June 30, 2009	June 30, 2008
----- (Rupees in '000') -----			
Dewan Farooque Trust - related party		<u>4,900</u>	<u>--</u>
- Dewan M. Yousuf Farooqui- Chairman Board of Trustees			
- Dewan Abdullah Ahmed - Trustee			
- Dewan Abdul Baqi Farooqui - Trustee			
- Aziz ul Haq - Trustee			
- Mrs. Hina Yousuf - Trustee (Spouse of Director)			
<b>34 OTHER OPERATING INCOME</b>			
<i>Income from financial assets</i>			
Profit on bank deposits		3,522	20,894
Interest on balance due from related party		--	28,570
Dividend income		--	187
<i>Income from non financial assets / others</i>			
Liabilities no longer payable - Written back		--	73,030
Gain on sale of property, plant and equipment		447	--
Income from prepayment of TFC's		--	157,096
Gratuity written back	23.2	22,319	--
Others		4,657	1,248
		<u>30,945</u>	<u>281,025</u>
<b>35 FINANCE COST</b>			
Advances for investment in term finance certificates		291,235	501,287
Mark-up on long-term financing		169,057	280,349
		<u>460,292</u>	<u>781,636</u>
Less: finance cost capitalized		150,152	590,086
		<u>310,140</u>	<u>191,550</u>
Markup on short-term borrowings		71,246	39,026
Bill discounting charges		58,606	63,045
Interest on workers' profits participation fund		4,897	4,262
Finance lease charges		1,554	2,971
Bank charges		10,014	19,162
Commission on bank guarantees		6,734	5,126
		<u>463,191</u>	<u>325,142</u>
<b>35.1</b>			
Company has not made the provision of markup amounting to Rs.443.455 million keeping in view of the financial restructuring proposed to the lenders as disclosed in note 3. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the loss for the year and accrued markup would have been higher by the same amount.			
<b>36 TAXATION</b>			
Current		10,205	22,990
Deferred		(223,487)	(106,175)
		<u>(213,282)</u>	<u>(83,185)</u>
<b>36.1 Relationship between accounting loss and tax expense for the year</b>			
Provision for current taxation is based on final tax liability in respect of export proceeds realized during the period, therefore the relationship between accounting loss and tax expense for the year cannot be given.			


**37 LOSS PER SHARE - Basic and Diluted**

June 30, 2009      June 30, 2008  
-----**(Rupees in '000')**-----

**37.1 Basic**

(Loss) after taxation (163,208)      (499,137)

**(Number of shares '000')**

Weighted average ordinary shares in issue during the year 357,375      357,375

Loss per share - Basic (Rupees) Re. (0.46)      Rs. (1.39)

**37.2 Diluted**

There was no dilution effect on the basic earnings per share as the company had no such outstanding commitments during the year.

**38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	----- <b>(Rupees in '000')</b> -----							
Remuneration	3,821	3,343	5,219	4,393	38,651	30,040	47,691	37,776
House rent	1,719	1,504	2,348	1,977	17,393	13,518	21,460	16,999
Bonus	--	--	--	322	--	2,960	--	3,282
LFA	--	--	196	66	1,541	703	1,737	769
Leave encashment	--	--	--	206	--	703	--	909
Medical	--	279	434	439	2,836	2,451	3,270	3,169
Retirement benefits	--	--	522	--	3,162	2,373	3,684	2,373
Utilities	382	334	223	436	3,865	3,004	4,470	3,774
Others	4	3	6	376	275	97	285	476
	<u>5,926</u>	<u>5,463</u>	<u>8,948</u>	<u>8,215</u>	<u>67,723</u>	<u>55,849</u>	<u>82,597</u>	<u>69,527</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>61</u>	<u>29</u>	<u>64</u>	<u>33</u>

Few directors and certain executives are also provided with free use of Company owned and maintained cars and other benefits in accordance with their entitlements as per rules of the Company.

**39 RELATED PARTY DISCLOSURES**

Related parties comprise related group companies, associate, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Material transactions and balances with related parties are given below:

Relationship	Nature of transaction	June 30, 2009	June 30, 2008
		----- <b>(Rupees in '000')</b> -----	
Employee benefit fund	Contributions during the year	16,249	15,421
Other related parties - associates	Funds received / (repaid) - Net	--	781,438
	Adjusted against sale of treasury shares	--	800,000
	Interest charged on receivable against treasury shares	--	28,570
	Shared expenses	7,606	11,404
	Sales	5,179	1,863
	Purchases	7,947	7,187
	Donations	4,900	--



	June 30, 2009	June 30, 2008
	----- (In Metric Tonnes) -----	
<b>40 CAPACITY - Clinker</b>		
<b>Annual installed capacity</b>		
- South unit (Line I)	900,000	900,000
- South unit (Line II)	720,000	--
- North unit (Line I)	540,000	540,000
- North unit (Line II)	540,000	540,000
	<u>2,700,000</u>	<u>1,980,000</u>
<b>Actual production for the year</b>		
- South unit (Line I)	456,700	615,396
- South unit (Line II)	298,200	--
- North unit (Line I)	292,966	368,102
- North unit (Line II)	247,117	355,364
	<u>1,294,983</u>	<u>1,338,862</u>

The under utilization of capacity was due to certain technical problems of plant, which are being addressed.

#### 41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

##### 41.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	June 30, 2009	June 30, 2008
	----- (Rupees in '000') -----	
Loans	1,934	988
Deposits	84,647	88,737
Trade debts	316,485	715,855
Due from related party	--	10,541
Other receivable	3,752	5,690
Short term investment	2,172	4,656
Cash and bank balances	<u>122,311</u>	<u>132,572</u>
	<u>531,301</u>	<u>959,039</u>

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and dealing banks possess good credit ratings.

The provision for debts considered doubtful has already been made and management believes that no further provision is necessary. Further credit risk in respect of trade debts is mitigated by the security deposits amounting to Rs. 748.282 million (2008:Rs.748.147 million). The credit quality of the company's receivable can be assessed with their past performance of nominal defaults. The credit quality of the company's banks can be assessed by their external credit ratings:



Name of Bank	Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR-VIS	A-1+	AA+
United Bank Limited	JCR-VIS	A-1+	AA+
Allied Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A
Standard Chartered Bank	PACRA	A1+	AAA
Barclays Bank PLC	S&P	A-1+	AA-

#### 41.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees in '000) -----						
<b>Financial Liabilities - Recognized</b>						
Long term financing	2,758,924	3,183,565	1,139,168	339,963	1,098,481	605,953
Term Finance Certificates & advances	4,442,299	4,141,235	4,141,235	—	—	—
Short term borrowing	660,875	660,875	660,875	—	—	—
Lease liabilities	128,732	133,878	89,403	13,309	2,905	28,261
Long term deposits and payables	923,029	923,029	—	—	—	923,029
Trade and other payables	1,120,306	1,120,306	1,120,306	—	—	—
Mark up payable	1,042,708	1,042,708	1,042,708	—	—	—
<b>Total 2009</b>	<b>11,076,873</b>	<b>11,205,596</b>	<b>8,193,695</b>	<b>353,272</b>	<b>1,101,386</b>	<b>1,557,243</b>
<b>Financial liabilities - Recognized</b>						
Long term financing	2,708,903	3,183,565	1,139,168	339,963	1,098,481	605,953
Term Finance Certificates & advances	4,448,241	4,800,579	4,800,579	—	—	—
Short term borrowing	748,021	748,021	748,021	—	—	—
Lease liabilities	171,289	186,049	62,658	78,916	13,309	31,166
Long term deposits and payables	922,894	922,894	—	—	—	922,894
Deferred liabilities	22,319	22,319	22,319	—	—	—
Trade and other payables	1,174,345	1,174,345	1,174,345	—	—	—
Mark up payable	555,916	555,916	555,916	—	—	—
<b>Total 2008</b>	<b>10,751,928</b>	<b>11,593,688</b>	<b>8,503,006</b>	<b>418,879</b>	<b>1,111,790</b>	<b>1,560,013</b>

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30.

#### 41.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

##### 41.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The company's financial instruments are in its functional currency therefore it is not exposed to any significant currency risk.

##### 41.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:



June 30, 2009      June 30, 2008  
 (Rupees in '000')

**Fixed rate instruments at carrying amounts:**

**Financial Assets**

Balance with banks	1,532	2,489
--------------------	-------	-------

**Variable rate instruments at carrying amounts:**

**Financial liabilities**

Advances for investment in term finance certificates	3,850,000	3,850,000
--	-----------	-----------

Loans	2,313,702	2,063,702
Lease liabilities	128,732	171,289
Short term borrowings	660,875	748,021
Trade payables	351,866	291,017
	3,455,175	3,274,029

**Fair value sensitivity analysis for fixed rate instruments:**

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not effect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments:**

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

Effect on loss / profit due to change of 100 BPs		
- Increase	17,276	32,740
- Decrease	17,276	32,740

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**41.4 Capital risk management**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

**41.5 Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.


**42 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorised for issue on October 06, 2009 by the Board of Directors of the Company.

**43 GENERAL**

43.1 Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

  
 Dewan Abdul Baqi Farooqui  
 Director

  
 Dewan M. Yousuf Farooqui  
 Chairman / Chief Executive



**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009**

Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1. Associated Companies	5	148,307,273	41.50%
2. NIT and ICP	4	7,075,046	1.98%
3. Directors, CEO, their Spouses & Minor Children	4	79,791,291	22.33%
4. Executives	4	5,125	0.00%
5. Public Sector Companies & Corporations	101	40,362,640	11.29%
6. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	43	14,847,904	4.15%
7. Individuals	6,032	66,985,721	18.74%
<b>TOTAL</b>	<b>6,193</b>	<b>357,375,000</b>	<b>100.00%</b>

**DETAILS OF CATAGORIES OF SHAREHOLDERS**

Names	Number of Shareholders	Number of Shares held	% of Shareholding
<b>1. Associated Companies</b>			
1.1 Dewan Motors (Pvt.) Limited	1	18,125,000	5.07%
1.2 Dewan Mushtaq Motors Company (Pvt) Ltd.	1	18,125,000	5.07%
1.3 Dewan Development (Private) Limited	1	30,000,000	8.39%
1.4 Dewan Farooque Motors Limited	1	44,650,273	12.49%
1.5 Dewan Automotive Engineering Limited	1	37,407,000	10.47%
	<b>5</b>	<b>148,307,273</b>	<b>41.50%</b>
<b>2. NIT and ICP</b>			
2.1 INVESTMENT CORPORATION OF PAKISTAN	1	2,150	0.00%
2.2 IDBP (ICP UNIT)	1	1,000	0.00%
2.3 National Bank of Pakistan	1	2,140,072	0.60%
2.4 National Bank of Pakistan, Trustee Deptt.	1	4,931,824	1.38%
	<b>4</b>	<b>7,075,046</b>	<b>1.98%</b>
<b>3. Directors, CEO, their Spouses &amp; Minor Children</b>			
<b>Directors and CEO</b>			
3.1 Dewan Muhammad Yousuf Farooqui	1	72,924,375	20.41%
3.2 Dewan Abdullah Ahmed Swaleh Farooqui	1	3,334,708	0.93%
3.3 Dewan Abdul Baqi Farooqui	1	3,334,708	0.93%
3.4 Mr. Haroon Iqbal	1	1,375	0.00%
3.5 Syed Muhammad Ali Khan	1	1,375	0.00%
3.6 Mr. Aziz-ul-Haque	1	1,375	0.00%
3.7 Mr. Abrar Manzoor	1	1,000	0.00%
3.8 Mr. Bashir Ahmed Chowdry			
3.9 Mr. Wajahat A. Baqai			
	<b>7</b>	<b>79,598,916</b>	<b>22.27%</b>
<b>Spouses of Directors and CEO</b>			
3.10 Mrs. Heena Yousuf	1	197,500	0.06%
<b>Minor Children of Directors and CEO</b>	-	-	-
	<b>8</b>	<b>79,796,416</b>	<b>22.33%</b>


**SHAREHOLDERS HOLDING 10% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY**

Names	Number of Shareholders	Number of Shares held	% of Shareholding
Dewan Muhammad Yousuf Farooqui	1	72,924,375	20.41%
Dewan Farooque Motors Limited	1	44,650,273	12.49%
Dewan Automotive Engineering Limited	1	37,407,000	10.47%

**DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN**

*One of the Director sold certain shares during the year, however none of the other Directors, CEO, CFO, Company Secretary, their spouses and minor children have traded in the shares of the Company.*





**4. PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009**

Number of Shareholders	Shareholdings			Total Shares Held
741	1	-	100 Shares	38,589
1700	101	-	500 Shares	631,613
865	501	-	1,000 Shares	785,702
1635	1,001	-	5,000 Shares	4,707,744
481	5,001	-	10,000 Shares	3,927,852
160	10,001	-	15,000 Shares	2,078,384
108	15,001	-	20,000 Shares	2,018,216
85	20,001	-	25,000 Shares	2,002,528
57	25,001	-	30,000 Shares	1,608,443
23	30,001	-	35,000 Shares	765,570
30	35,001	-	40,000 Shares	1,148,628
19	40,001	-	45,000 Shares	822,984
44	45,001	-	50,000 Shares	2,168,667
15	50,001	-	55,000 Shares	782,750
13	55,001	-	60,000 Shares	757,700
7	60,001	-	65,000 Shares	437,750
11	65,001	-	70,000 Shares	747,250
16	70,001	-	75,000 Shares	1,190,550
12	75,001	-	80,000 Shares	940,125
6	80,001	-	85,000 Shares	496,375
4	85,001	-	90,000 Shares	353,779
2	90,001	-	95,000 Shares	186,750
31	95,001	-	100,000 Shares	3,092,000
6	100,001	-	105,000 Shares	611,625
3	105,001	-	110,000 Shares	328,750
2	110,001	-	115,000 Shares	224,750
3	115,001	-	120,000 Shares	354,550
5	120,001	-	125,000 Shares	621,500
3	125,001	-	130,000 Shares	388,750
2	130,001	-	135,000 Shares	270,000
1	135,001	-	140,000 Shares	136,800
4	140,001	-	145,000 Shares	572,500
5	145,001	-	150,000 Shares	749,000
2	150,001	-	155,000 Shares	310,000
3	155,001	-	170,000 Shares	503,776
2	170,001	-	185,000 Shares	369,031
1	185,001	-	190,000 Shares	190,000



Number of Shareholders	Shareholdings			Total Shares Held
1	190,001	-	195,000 Shares	194,500
9	195,001	-	200,000 Shares	1,797,500
3	200,001	-	215,000 Shares	638,750
3	215,001	-	225,000 Shares	673,500
2	225,001	-	230,000 Shares	457,000
1	230,001	-	240,000 Shares	239,000
1	240,001	-	245,000 Shares	244,275
2	245,001	-	250,000 Shares	499,500
1	250,001	-	255,000 Shares	255,000
1	255,001	-	275,000 Shares	275,000
1	275,001	-	280,000 Shares	275,750
1	280,001	-	290,000 Shares	290,000
1	290,001	-	295,000 Shares	293,000
2	295,001	-	300,000 Shares	599,768
1	300,001	-	305,000 Shares	301,500
1	305,001	-	315,000 Shares	310,273
2	315,001	-	330,000 Shares	657,000
1	330,001	-	335,000 Shares	335,000
1	335,001	-	345,000 Shares	345,000
1	345,001	-	350,000 Shares	345,500
2	350,001	-	360,000 Shares	716,500
1	360,001	-	375,000 Shares	373,500
1	375,001	-	380,000 Shares	377,000
1	380,001	-	395,000 Shares	394,518
1	395,001	-	400,000 Shares	400,000
1	400,001	-	415,000 Shares	413,000
1	415,001	-	420,000 Shares	418,000
1	420,001	-	450,000 Shares	448,500
2	450,001	-	460,000 Shares	915,500
3	460,001	-	500,000 Shares	1,500,000
1	500,001	-	505,000 Shares	502,780
1	505,001	-	530,000 Shares	526,000
1	530,001	-	660,000 Shares	658,626
1	660,001	-	675,000 Shares	671,207
1	675,001	-	735,000 Shares	731,000
1	735,001	-	755,000 Shares	750,750
1	755,001	-	850,000 Shares	850,000



Number of Shareholders	Shareholdings			Total Shares Held
1	850,001	-	1,000,000 Shares	1,000,000
1	1,000,001	-	1,050,000 Shares	1,047,500
1	1,055,001	-	1,090,000 Shares	1,089,500
1	1,090,001	-	1,105,000 Shares	1,100,250
1	1,105,001	-	1,135,000 Shares	1,131,500
1	1,135,001	-	1,195,000 Shares	1,192,000
1	1,195,001	-	1,500,000 Shares	1,500,000
1	1,500,001	-	1,620,000 Shares	1,619,500
1	1,620,001	-	1,640,000 Shares	1,637,250
1	1,640,001	-	1,750,000 Shares	1,749,500
1	1,750,001	-	2,055,000 Shares	2,140,072
1	2,055,001	-	2,530,000 Shares	2,528,750
1	2,530,001	-	2,690,000 Shares	2,690,000
1	2,935,001	-	3,005,000 Shares	3,005,000
3	3,005,001	-	3,335,000 Shares	10,002,750
1	3,335,001	-	3,415,000 Shares	3,413,500
1	3,415,001	-	4,925,000 Shares	4,931,824
1	4,925,001	-	4,945,000 Shares	4,944,152
1	4,945,001	-	5,510,000 Shares	5,507,875
1	5,510,001	-	9,405,000 Shares	9,401,500
1	16,325,001	-	17,520,000 Shares	17,516,251
2	17,520,001	-	18,125,000 Shares	36,250,000
1	18,125,001	-	30,000,000 Shares	30,000,000
1	30,000,001	-	37,410,000 Shares	37,407,000
1	37,410,001	-	44,655,000 Shares	44,650,273
1	44,655,001	-	72,925,000 Shares	72,924,375
<b>6193</b>	<b>TOTAL</b>			<b>357,375,000</b>



5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	79,796,416	22.33%
5.2	Associated Companies, undertakings and related parties	148,307,273	41.50%
5.3	NIT and ICP	7,075,046	1.98%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	8,754,511	2.45%
5.5	Insurance Companies	689,729	0.19%
5.6	Modarabas and Mutual Funds	5,403,664	1.51%
5.7	Shareholders holding 10%	154,981,648	43.37%
5.8	<u>General Public</u>		
	a. Local	66,985,721	18.74%
	b. Foreign	-	0.00%
5.9	Others (Joint Stock Companies, Brokage Houses, Employees Funds & Trustees)	40,362,640	11.29%



## FORM OF PROXY

I/We-----of----- being member(s) of Dewan Cement Limited and holder of-----Ordinary Shares as per Share Register Folio No.----- and/or CDS Participant I.D. No. -----and Sub Account No.----- hereby appoint-----of----- or failing him/her-----of-----as my proxy to vote for me and on my behalf at the 30<sup>th</sup> Annual General Meeting of the company to be held on Thursday, October 29, 2009 at 3:30 p.m. and / or any adjournment there of.

Signed this-----day of-----2009

1. Signature:-----

Witness:-----

Name:-----

Address:-----

-----

C.N.I.C. No:-----

Passport No.:-----

**Signature on  
Five Rupees  
Revenue Stamp**

**The Signature should agree with the  
specimen registered with the company**

2. Signautre:-----

Witness:-----

Name:-----

Address:-----

-----

C.N.I.C. /Passport No.:-----

### NOTES:

A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. CDC account holders will further have the following guidelines as laid down by the Securities & Exchange Commission of Pakistan.

- a. For Attending Meeting:
  - i. In case of individual, the account holder of sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC) or original passport at the time or attending the meeting.
  - ii. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
- b. For Appointing Proxies.
  - i. In case of individual, the account holder of sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
  - ii. Two persons, whose names, addresses and CNIC numbers shall be mentioned on the form to witness the proxy.
  - iii. Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his/her original CNIC or original passport at the time of meeting.
  - v. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) alongwith the proxy form of the Company.