



DEWAN CEMENT LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS

Dewan M. Yousuf Farooqui
Dewan Abdullah Ahmed
Dewan Abdul Baqi Farooqui
Mr. Haroon Iqbal
Syed Muhammad Ali Khan
Mr. Aziz-ul-Haque
Mr. Abrar Manzoor
Mr. Wajahat A. Baqai
Mr. Basheer Ahmed Chowdry

CEO & Chairman Board of Directors
Director
Director
Director
Director
Director
Nominee Director of Creditors
Nominee Director of Creditors

COMPANY SECRETARY

Mr. Shahab Mehmud Ansari

AUDIT COMMITTEE MEMBERS

Mr. Wajahat A. Baqai
Syed Muhammad Ali Khan
Mr. Aziz-ul-Haque

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

Mr. Imran Ahmed Javed

REGISTERED OFFICE

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

HEAD OFFICE

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

FACTORIES

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

AUDITORS

M/s. 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



DIRECTORS' REPORT

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

The Directors are pleased to present un-audited financial results for the nine months period ended March 31, 2009.

Overview of Cement Industry

During the nine months period ended on March 31, 2009, overall situation was not favorable for cement due to lukewarm construction activities in the wake of economic slowdown, high interest rates, liquidity crunch and cut in infrastructure spending both in public and private sectors. However, industry registered a nominal increase of 1.30% over the same period last year.

During the period under review, export demand has shown a declining curve when compared to last quarter of the current year. However as compared to same period last year, the industry registered a growth of 55% in exports. There is a decline of 15% in local dispatches which is alarming.

Production

	<u>Upto March 2009</u> <u>(In tons)</u>	<u>Upto March 2008</u> <u>(In tons)</u>	<u>Variance</u> <u>(% Age)</u>
Clinker	1,054,817	1,037,678	1.65
Cement	1,031,565	1,178,798	(12.49)

Dispatches

	<u>Upto March 2009</u> <u>(In tons)</u>	<u>Upto March 2008</u> <u>(In tons)</u>	<u>Variance</u> <u>(% Age)</u>
Local Sales	847,477	1,119,547	(24.30)
Export Sales	<u>165,629</u>	<u>60,951</u>	<u>171.74</u>
Total	<u>1,013,106</u>	<u>1,180,498</u>	<u>(14.18)</u>

Operating Performance

The operating results of the Company for the current quarter and that of the corresponding period last year are highlighted below:

	<u>Upto March 2009</u> <u>(Rs. In million)</u>	<u>Upto March 2008</u> <u>(Rs. In million)</u>	<u>Variance</u> <u>(% Age)</u>
*Net Sales	4,171	3,370	23.77
**Cost of good sold	3,924	3,150	(24.57)
Gross Profit	247	221	11.76
Expenses & Taxes	1,082	577	(87.52)
Net Profit/(Loss)	(509)	(157)	(224.20)

* Net sales does not include sale of Rs. 226.5 million from trial production of south Line II transferred to CWIP in the first quarter.

** COGS does not include Rs. 266.2 million from trial production of South Line II charged to CWIP in the first quarter.

Our Export sales of Rs. 780 million registered an increase of Rs. 466 million when compared to Rs. 314 million exported in the same period last year. An improved domestic sales price and the huge quantity of 165,629 tons exported as compared to 60,951 tons last year



helped in net increase in revenue by Rs. 801 million. The export quantity increase and exchange rate differential further helped in the increase of revenue.

The overall cost of Rs. 3,924 million was higher when compared to same period last year mainly because of the exchange rate differential, high electricity and gas tariff and increased coal cost.

Loan status

Certain pre-IPO investors of TFCs having investment of Rs. 800 million have moved to the Honorable High Court of Sind for repayment of their liabilities. The management has strongly contested its case as the default on part of company was beyond the company's control. Therefore the company has offered all the investors / bankers for restructuring of the entire liabilities including the pre-IPO investments.

Future Outlook

It is expected that growth in export will continue, as high demand from Afghanistan, Iraq, Kuwait, Qatar U.A.E. and African countries has started emerging and demand from India is also reviving after a lull. Gulf Countries, in the near future are expected to revive their growth rate. Similar levels as in the past are not expected, but improvement is already evident.

It is expected that Industry will continue to operate at a capacity utilization of around 65% of the Annual Rated Capacity (41.45 million tons per annum).

Acknowledgement

The Board of Directors places on record its gratitude to its valued customers, Federal and Provincial Governments, banks & financial institutions, dealers and employees of the Company, for their continued co-operation & support.

In conclusion, we bow, beg and pray to **Almighty Allah, Rahman-ur-Rahim**, in the name of our beloved Prophet Mohammad (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, Ameen, Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (AL-QURAN)

For and on behalf of Board of Directors

Dewan Muhammad Yousuf Farooqui
Chairman / Chief Executive

Dated: April 29, 2009
Place: Karachi

INTERIM CONDENSED BALANCE SHEET - (UN-AUDITED)
AS AT MARCH 31, 2009

	Note	(Un-audited) March 31, 2009	(Audited) June 30, 2008
----- Rupees in '000' -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
-Property, plant and equipment	5	20,131,799	19,927,245
Long-term deposits		94,219	74,369
Long-term loans		351	641
		<u>20,226,369</u>	<u>20,002,255</u>
CURRENT ASSETS			
Stores and spare parts		475,170	397,500
Stock-in-trade		502,654	127,802
Trade debts		471,069	715,855
Due from related party		-	10,541
Loans and advances		164,313	130,715
Trade deposits and short-term prepayments		32,601	32,288
Other receivables		26,820	39,143
Short-term investments		2,841	4,656
Advance income tax		90,530	17,760
Cash and bank balances		27,631	132,572
		<u>1,793,629</u>	<u>1,608,832</u>
TOTAL ASSETS		<u>22,019,998</u>	<u>21,611,087</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
500,000,000 (June 30, 2008: 500,000,000)			
Ordinary shares of Rs. 10/- each		<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up-capital		3,573,750	3,573,750
Reserves - net		<u>324,789</u>	<u>734,720</u>
		<u>3,898,539</u>	<u>4,308,470</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	6	3,969,427	4,014,940
NON-CURRENT LIABILITIES			
Long-term financing	7	2,302,631	2,275,462
Advance for investment in TFCs	8	3,850,000	3,850,000
Liabilities against assets subject to finance lease		55,719	88,949
Long-term deposits and payables		923,029	922,894
Deferred liabilities		<u>1,845,634</u>	<u>2,065,797</u>
		<u>8,977,013</u>	<u>9,203,102</u>
CURRENT LIABILITIES			
Trade and other payables		1,510,553	1,649,766
Short-term borrowings	9	1,013,860	748,021
Mark-up payable	10	1,254,920	555,916
Current portion of long term borrowings	11	1,395,686	1,114,022
Sales tax payable		-	16,850
		<u>5,175,019</u>	<u>4,084,575</u>
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		<u>22,019,998</u>	<u>21,611,087</u>

The annexed notes from 1 to 17 form an integral part of these interim condensed financial statements.

Dewan Abdul Baqi Farooqui
Director

Dewan Muhammad Yousuf Farooqui
Chairman / Chief Executive

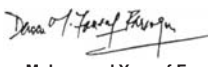


**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

Note	Nine Months Ended		Quarter Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
----- Rupees in '000' -----				
Turnover - net	4,171,387	3,370,265	1,559,131	1,249,704
Cost of sales	<u>(3,924,097)</u>	<u>(3,149,695)</u>	<u>(1,518,183)</u>	<u>(1,225,150)</u>
Gross profit	247,290	220,570	40,948	24,554
Distribution cost	(131,296)	(43,082)	(43,588)	(31,989)
Administrative expenses	(133,132)	(140,270)	(50,168)	(41,594)
Other operating expenses	(24,789)	(5,972)	(1,127)	255
Other operating income	<u>7,524</u>	199,547	<u>1,034</u>	169,759
Operating profit / (loss)	(34,403)	230,793	(52,901)	120,985
Finance cost	<u>(633,406)</u>	<u>(371,047)</u>	<u>(185,944)</u>	<u>(163,861)</u>
Loss before taxation	(667,809)	(140,254)	(238,845)	(42,876)
Taxation - net	<u>159,266</u>	<u>(16,852)</u>	<u>40,000</u>	<u>(6,250)</u>
Loss after taxation	<u>(508,543)</u>	<u>(157,106)</u>	<u>(198,845)</u>	<u>(49,126)</u>
Loss per share				
Basic and diluted (Rupees)	13 <u>(1.42)</u>	<u>(0.44)</u>	<u>(0.56)</u>	<u>(0.14)</u>

The annexed notes from 1 to 17 form an integral part of these interim condensed financial statements.


 Dewan Abdul Baqi Farooqui
 Director


 Dewan Muhammad Yousuf Farooqui
 Chairman / Chief Executive

**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

	March 31, 2009	March 31, 2008
	----- Rupees in '000' -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations	(2,021)	540,777
Income tax paid	(80,569)	(16,511)
Long-term loans - net	290	907
Long-term deposits - net	(19,850)	(22,046)
Received / adjusted against sale of treasury shares	-	800,000
Long-term deposits and payables - net	135	145,938
Net cash (used in) / generated from operating activities	(102,015)	1,449,065
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(403,174)	(607,937)
Proceeds from sale of property, plant and equipment	358	-
Net cash used in investing activities	(402,816)	(607,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debentures - Term Finance Certificates	(5,941)	(4,135,703)
Advance for Investment in Term Finance Certificates	-	3,850,000
Long-term financing - net	299,713	(69,474)
Short-term borrowings - net	248,961	542,464
Short-term redeemable capital - net	-	(497,695)
Finance cost paid	(124,676)	(514,837)
Liabilities against assets subject to finance lease - net	(18,167)	(40,820)
Net cash generated / (used in) financing activities	399,890	(866,065)
Net decrease in cash and cash equivalents	(104,941)	(24,937)
Cash and cash equivalents at the beginning of the period	132,572	224,537
Cash and cash equivalents at the end of the period	<u>27,631</u>	<u>199,600</u>

The annexed notes from 1 to 17 form an integral part of these interim condensed financial statements.

Dewan Abdul Baqi Farooqui
Director

Dewan Muhammad Yousuf Farooqui
Chairman / Chief Executive



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

	Issued, subscribed and paid- up capital	Reserves		Total	Total
		Capital	Revenue		
		Merger reserve	(Accumulated loss) / unappropriated profit		
Balance as at July 01, 2007	3,573,750	629,444	501,231	1,130,675	4,704,425
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	84,353	84,353	84,353
Net loss for the period after taxation	-	-	(157,106)	(157,106)	(157,106)
Balance as at March 31, 2008	<u>3,573,750</u>	<u>629,444</u>	<u>428,478</u>	<u>1,057,922</u>	<u>4,631,672</u>
Balance as at July 01, 2008	3,573,750	629,444	105,276	734,720	4,308,470
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	98,612	98,612	98,612
Net loss for the period after taxation	-	-	(508,543)	(508,543)	(508,543)
Balance as at March 31, 2009	<u>3,573,750</u>	<u>629,444</u>	<u>(304,655)</u>	<u>324,789</u>	<u>3,898,539</u>

The annexed notes from 1 to 17 form an integral part of these interim condensed financial statements.

Dewan Abdul Baqi Farooqui
Director

Dewan Muhammad Yousuf Farooqui
Chairman / Chief Executive

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009****1 THE COMPANY AND ITS OPERATIONS**

Dewan Cement Limited (the Company) 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 to manufacture and sale of cement. The Company has two production facilities at Deh Dhand, Dhabeji, Karachi, Sindh and Kamilpur, Hattar Industrial Estate, District Haripur, N.W.F.P.

2 GOING CONCERN ASSUMPTION

The financial statements for the period ended March 31, 2009 reflect loss after taxation of Rs. 508.543 million and as of that date its current liabilities exceeded its current assets by Rs. 3,381 million. Further certain pre-IPO investors having advances for investment in TFCs amounting to Rs. 800 million have gone into litigation for repayment of their investments through attachment and sale of company's hypothecated / mortgaged properties. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the Company has approached the pre-IPO investors for restructuring of their investment amounts. Some of the investors have given their consent for restructuring.

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 financial statement on going concern assumption is justified.

3 BASIS OF PREPARATION

These interim condensed financial statements are un-audited. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting". The Interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2008.

4 SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies followed for the preparation of these financial statements are the same as those applied in preparing the annual financial statements for the year ended June 30, 2008.
- 4.2 Significant accounting estimates and judgments are the same as those applied in preparation of annual financial statements for the year ended June 30, 2008.

5 PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) March 31, 2009	(Audited) June 30, 2008
	----- Rupees in '000' -----	
Operating property, plant and equipment	18,880,468	14,604,687
Assets subject to finance lease	40,267	41,571
Capital work-in-progress	<u>1,211,064</u>	<u>5,280,987</u>
	<u>20,131,799</u>	<u>19,927,245</u>



(Un-audited) (Audited)
March 31, June 30,
2009 2008
----- Rupees in '000' -----

5.1 Additions, Revaluations and disposals during the period (Operating fixed assets)

Addition in Owned Assets

Plant and machinery (Note 5.1.1)	4,465,997	-
Freehold land	-	521
Furniture and fixture	-	2,235
Equipment	455	3,811
Computer	8	1,193
Vehicles	7,947	9,454
	<u>4,474,407</u>	<u>17,214</u>

Addition in Leased Assets

Vehicles	-	170
	<u>4,474,407</u>	<u>17,384</u>

Disposals

Vehicles	1,922	885
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5.1.1 Represents Line II costs transferred from capital work in progress during the period.

5.2 Additions during the period (Capital work in progress)

Plant and machinery	584,773	1,095,378
Civil and mechanical works	84	50,396
	<u>584,857</u>	<u>1,145,774</u>

5.3 Additions to property, plant and equipment includes a sum of Rs. 190.274 million being markup capitalized during the period.

6 SURPLUS ON REVALUATION OF FIXED ASSETS - NET

Gross surplus	5,776,320	5,874,932
Less: Related deferred tax	1,806,893	1,859,992
	<u>3,969,427</u>	<u>4,014,940</u>

7 LONG TERM FINANCING

The principal terms and condition of the outstanding loans have remained the same as disclosed in the financial statements of the Company for the year ended June 30, 2008.

8 ADVANCE FOR INVESTMENT IN TFCs

Represents private placement (pre-IPO) investment of Rs. 3,850 million received as advance 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 Majure*) i.e. global recession and unforeseen shut down of stock exchanges.

Out of the total investment of Rs. 3,850 million, investors having investments to the extent of Rs. 800 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. The management disputes the claim and has strongly contested the case. Therefore, the company has offered all the investors for restructuring of the investments made. Till the matter is resolved suitably with investors, management has decided to classify the same as long term investment.

**9 SHORT-TERM BORROWINGS**

It include an aggregate amount of Rs. 347.212 million representing overdue letter of credits.

10 MARK-UP PAYABLE

This contains interest payable to the investors contemplated by Article 2.2 of the Agreement with the investors. Though the interest amount of Rs. 617.080 million is added, however, it being contrary to law is disputed as not being payable by us to the investors.

11 CURRENT PORTION OF LONG-TERM BORROWINGS

It includes over due portion amounting to Rs. 265.417 million.

12 CONTINGENCIES AND COMMITMENTS**12 Contingencies**

There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2008 except following:

12.1.1 As more fully explained in Note 8 to the financial statements, certain pre-IPO investors have moved to the Honorable High Court of Sind for early repayment of their investments, which the company disputes.

12.1.2 Excise duty claim from government.

On January 03, 2008, the Company had filed a refund claim for the period June 17, 1994 to April 18, 1999, amounting to Rs. 608,015,099/- 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 subjudged in review, the decision on refund will be taken after fate of review petition is decided.

On January 20, 2009, these petitions are dismissed as withdrawn by the Honorable Supreme Court of Pakistan.

12 Commitments in respect of outstanding letters of credit inclusive of capital commitments amounts to Rs. Nil (June 30, 2008: Rs.136.457 million)

Nine Months Ended		Quarter Ended	
March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
----- Rupees in '000' -----			

13 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / Profit for the period after taxation	<u>(508,543)</u>	<u>(157,106)</u>	<u>(198,845)</u>	<u>(49,126)</u>
	----- No. of Shares '000' -----			
Weighted average number of shares in issue	<u>357,375</u>	<u>357,375</u>	<u>357,375</u>	<u>357,375</u>
(Loss) / Earnings per share - Basic and diluted	----- Rupees -----			
	<u>(1.42)</u>	<u>(0.44)</u>	<u>(0.56)</u>	<u>(0.14)</u>



14 TRANSACTIONS WITH RELATED PARTIES

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:

		March 31, 2009 Unaudited	March 31, 2008 Unaudited
----- Rupees in '000' -----			
Employee benefit fund	Contribution to staff retirement	6,055	10,711
Other related parties	Funds received / (transferred)	10,541	237,839
	Received / adjusted against sale of treasury shares	-	800,000
	Shared expenses	4,241	3,978
	Sales	5,179	33
	Purchases	7,947	337

	Nine Months Ended		Quarter Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
----- Metric Tonnes -----				
15 CAPACITY - CLINKER (Tons)				
Installed capacity for the period	<u>1,965,000</u>	<u>1,485,000</u>	<u>735,000</u>	<u>495,000</u>
Actual production for the period	<u>1,054,817</u>	<u>1,037,678</u>	<u>421,836</u>	<u>332,746</u>

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

16 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on April 29, 2009 by the Board of Directors of the Company.

17 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

Dewan Abdul Baqi Farooqui
Director

Dewan Muhammad Yousuf Farooqui
Chairman / Chief Executive