



DEWAN CEMENT LIMITED

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DEWAN CEMENT LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Dewan M. Yousuf Farooqui	Chairman/Chief Executive
Dewan Abdullah Ahmed	Director
Dewan Abdul Baqi Farooqui	Director
Mr. M. A Lodhi	Director
Mr. Haroon Iqbal	Director
Syed Muhammad Ali Khan	Director
Mr. Aziz-ul-Haque	Director
Mr. Wajahat A. Baqai	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, 7th Floor, Finance & Trade Centre,
Shahrah-e-Faisal, Karachi, Pakistan.

HEAD OFFICE

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

FACTORY

1. Deh Dhando, Dhabeji
District, Malir Karachi.
2. Kamilpur Near Hattar
District, Haripur, Khyber Pakhtoonkhuwa

AUDITORS

Faruq Ali & Co.
Chartered Accountants

SHARES REGISTRAR TRANSFER AGENT

BMF Consultants Pakistan (Private) Limited
4th Floor, A-14, Trade Centre
Block 7/8, K.C.H.S.,
Main Shahrah-e-Faisal,
Karachi-75350

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 quarter ended September 30, 2010.

Overview of Cement Industry

The cement industry in Pakistan has started this financial year with a negative volumetric growth of 16% upto September 2010. Local sales volume stood at 4.6 million tons as compared to 5.5 million tons achieved during the same period last year. The export sales volume of the industry was only 2.3 million tons as compared with sales volume of 2.9 million tons during the same period last year. Hence exports also depicted a decline of 21%.

The demand of cement in domestic market declined mainly because of heavy monsoon rain with massive destruction due to historical floods which devastated major parts of the country specially Khyber Pakhton Khawa as well as major part of Sindh & Central Punjab. Moreover, depressed construction activities were also observed during the quarter ended September 30, 2010.

Overview of Your Company

Production

	Upto September 2010 (In tons)	Upto September 2009 (In tons)	Variance (% Age)
Clinker	223,691	319,629	(30.02)
Cement	241,570	337,874	(28.50)

Cement Dispatches

	Upto September 2010 (In tons)	Upto September 2009 (In tons)	Variance (% Age)
Local Sales	213,823	310,457	(31.13)
Export Sales	<u>29,790</u>	<u>24,527</u>	<u>21.46</u>
Total	<u>243,613</u>	<u>334,984</u>	<u>(27.28)</u>

Operating Performance

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



	Upto September 2010 (Rs. '000')	Upto September 2009 (Rs. '000')	Variance (% Age)
Net Sales	923,175	1,251,762	(26.25)
Cost of good sold	(1,021,008)	(1,288,198)	20.74
Gross Loss	(97,833)	(36,436)	(168.51)
Expenses & Taxes	(75,561)	5,860	(1,389.44)
Net Loss	(173,394)	(30,576)	(467.09)

Future Outlook

As the floods are over, it is observed that the demand of cement in the domestic market has started picking up in the month of October, 2010 which will hopefully be normalized in remaining period of this financial year. The industry expects domestic cement demand to grow by 15-20 percent in FY 2010-2011.

The demand of cement in the international market except for Afghanistan and Iraq is expected to be under pressure due to stiff competition. However, various African countries are a new and fast growing export venue for Pakistani cement industry.

Acknowledgement

The Board of Directors places on record its gratitude to its valued customers, Federal and Provincial Governments, 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 the Board of Directors

Syed Muhammad Ali Khan
Director

Haroon Iqbal
Director

Dated: October 30, 2010
Place: Karachi




**INTERIM CONDENSED BALANCE SHEET - (UN-AUDITED)
AS AT SEPTEMBER 30, 2010**

	(Un-audited) September 30, 2010	(Audited) June 30, 2010
Note	----- Rupees in '000' -----	
ASSETS		
NON-CURRENT ASSETS		
Fixed assets		
-Property, plant and equipment	5 19,601,340	19,679,623
Long-term deposits	55,920	55,920
Long-term loans	559	1,050
	<u>19,657,819</u>	<u>19,736,593</u>
CURRENT ASSETS		
Stores and spare parts	383,361	336,016
Stock-in-trade	76,660	120,024
Trade debts	350,201	347,983
Loans and advances	147,937	146,492
Trade deposits and short-term prepayments	31,528	26,109
Other receivables	19,959	19,959
Short-term investments	1,473	1,473
Advance income tax	81,832	74,801
Cash and bank balances	50,076	60,016
	<u>1,143,027</u>	<u>1,132,873</u>
TOTAL ASSETS	<u><u>20,800,846</u></u>	<u><u>20,869,466</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised capital		
500,000,000 (June 30, 2010: 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>(107,772)</u>	<u>54,349</u>
	<u>3,465,978</u>	<u>3,628,099</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	6 4,034,250	4,045,524
NON-CURRENT LIABILITIES		
Long-term financing	7 1,036,216	1,077,611
Advances for investment in term finance certificates	8 3,850,000	3,850,000
Liabilities against assets subject to finance lease	14,302	14,408
Long-term deposits and payables	922,234	922,284
Deferred taxation	1,628,901	1,623,102
	<u>7,451,653</u>	<u>7,487,405</u>
CURRENT LIABILITIES		
Trade and other payables	1,765,768	1,653,861
Short-term borrowings	660,875	660,875
Mark-up payable	1,038,964	1,038,963
Current portion of long term borrowings	9 2,378,955	2,345,781
Sales tax payable	4,403	8,958
	<u>5,848,965</u>	<u>5,708,438</u>
CONTINGENCIES AND COMMITMENTS	10 -	-
TOTAL EQUITY AND LIABILITIES	<u><u>20,800,846</u></u>	<u><u>20,869,466</u></u>

The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


Syed Muhammad Ali Khan
 Director


Haroon Iqbal
 Director

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Note	September 30, 2010	September 30, 2009
----- Rupees in '000' -----			
Turnover - net		923,175	1,251,762
Cost of sales		<u>(1,021,008)</u>	<u>(1,288,198)</u>
Gross loss		(97,833)	(36,436)
Distribution cost		(16,240)	(28,798)
Administrative expenses		(62,448)	(56,043)
Other operating expenses		(139)	-
Other operating income		<u>2,912</u>	<u>959</u>
Operating loss		(173,748)	(120,318)
Finance cost	11	<u>(829)</u>	<u>(1,526)</u>
Loss before taxation		(174,577)	(121,844)
Taxation - net		<u>1,183</u>	<u>91,268</u>
Loss after taxation		(173,394)	(30,576)
Other comprehensive income for the period:			
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment		17,072	32,616
Related deferred tax		(5,799)	(8,298)
		11,273	24,318
Total comprehensive income for the period		<u>(162,121)</u>	<u>(6,258)</u>
Loss per share			
Basic and diluted	12	<u>Re. (0.49)</u>	<u>Re. (0.09)</u>

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Syed Muhammad Ali Khan
Director


Haroon Iqbal
Director



**INTERIM CONDENSED CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	September 30, 2010	September 30, 2009
	----- Rupees in '000' -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	10,423	(82,986)
Income tax refund / (paid)	(11,647)	69,655
Long-term loans - net	491	(213)
Long-term deposits - net	-	-
Long-term deposits and payables - net	(50)	(15)
Net cash used in operating activities	(783)	(13,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(768)
Proceeds from sale of property, plant and equipment	-	-
Net cash used in investing activities	-	(768)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debentures - Term Finance Certificates	-	-
Long-term financing - net	-	-
Short-term borrowings - net	-	-
Finance cost paid	(829)	(1,526)
Liabilities against assets subject to finance lease - net	(8,328)	(1,344)
Net cash used in financing activities	(9,157)	(2,870)
Net decrease in cash and cash equivalents	(9,940)	(17,197)
Cash and cash equivalents at the beginning of the period	60,016	122,311
Cash and cash equivalents at the end of the period	<u>50,076</u>	<u>105,114</u>

The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

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Syed Muhammad Ali Khan
Director

Haroon Iqbal
Director

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Issued, subscribed and paid-up capital	Reserves			Total equity	
	Capital Merger reserve	Revenue (Accumulated loss) / unappropriated profit	Total		
----- Rupees in '000' -----					
Balance as at July 01, 2009	3,573,750	629,444	18,843	648,287	4,222,037
Total comprehensive income for the period	-	-	(6,258)	(6,258)	(6,258)
Balance as at September 30, 2009	3,573,750	629,444	12,585	642,029	4,215,779
Balance as at July 01, 2010	3,573,750	629,444	(575,095)	54,349	3,628,099
Total comprehensive income for the period	-	-	(162,121)	(162,121)	(162,121)
Balance as at September 30, 2010	3,573,750	629,444	(737,216)	(107,772)	3,465,978

The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984.

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.

Syed Muhammad Ali Khan
Director

Haroon Iqbal
Director



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

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 Dhando, Dhabeji, Karachi, Sindh and Kamilpur, Hattar Industrial Estate, District Haripur, Khyber Pakhtoonkhwa.

2 GOING CONCERN ASSUMPTION

The financial statements for the quarter ended September 30, 2010 reflect loss after taxation of Rs. 173.394 million (June 2010: 622.764 million) and as of that date its current liabilities exceeded its current assets by Rs. 4,705.938 million (June 2010: Rs.4,575.518 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, majority of the 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 therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business. 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 operating cash flows of the company will be positive on account of expected increase in demand of cement and positive margins on account of increasing trend in cement prices, the company as a going concern would be a viable unit. Accordingly, 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, and court cases will be withdrawn by lenders.

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

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, 2010.

4 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

- 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, 2010.
- 4.2 Significant accounting estimates and judgements are the same as those applied in preparation of annual financial statements for the year ended June 30, 2010.



	(Un-audited) September 30, 2010	(Audited) June 30, 2010
	----- Rupees in '000' -----	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating property, plant and equipment	18,793,366	18,871,447
Assets subject to finance lease	3,029	3,231
Capital work-in-progress	804,945	804,945
	<u>19,601,340</u>	<u>19,679,623</u>

6 SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax

Gross surplus	5,651,554	5,668,626
Less: Related deferred tax	1,617,304	1,623,102
	<u>4,034,250</u>	<u>4,045,524</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, 2010.

8 ADVANCES FOR INVESTMENT IN TERM FINANCE

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 Majure) 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. Till the matter is resolved suitably with investors, management has decided to classify the same as long term liabilities.

9 CURRENT PORTION OF LONG TERM BORROWINGS

It includes over due portion amounting to Rs. 1,104.830 million

10 CONTINGENCIES AND COMMITMENTS

There has been no significant change in the status of contingencies and commitments as reported in the annual financial statements for the year ended June 30, 2010.

11 FINANCE COST

Company has not made the provision of mark-up for the quarter amounting to Rs. 246.901 million (for the year ended June 30, 2010: Rs.1,022.682 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 would have been higher by Rs. 1,022.682 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs. 1,466.137 million. The said non provisioning is a departure from the requirements of IAS-23 'Borrowing Costs'.

DEWAN CEMENT LIMITED



	Quarter Ended	
	September 30, 2010	September 30, 2009
12 LOSS PER SHARE - BASIC AND DILUTED	----- Rupees in '000' -----	
Loss for the period after taxation	(173,394)	(30,576)
Weighted average number of shares in issue	357,375	357,375
Loss per share - Basic and diluted	Re. (0.49)	Re. (0.09)

13 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:

		(Un-audited) September 30, 2010	(Un-audited) September 30, 2009
		----- Rupees in '000' -----	
Employee benefit fund	Contribution to staff retirement fund.	3,860	4,098
Other related parties	Shared expenses	31	-
14 CAPACITY - CLINKER (Tons)		----- Metric Tonnes -----	
Installed capacity for the period		735,000	735,000
Actual production for the period		223,691	319,629

The under utilization of capacity was due to maintenance of the plant and downfall in demand of cement.

15 DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been authorised for issue on October 30, 2010 by the Board of Directors of the Company.

16 GENERAL

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


Syed Muhammad Ali Khan
Director


Haroon Iqbal
Director