بسم الله الرحمن الرحيم

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| Muhammad Khubaib | |
| Zaheer Mustafa Jaleel | (Chief Executive) |
| Syed Moonis Abdullah Alvi | |
| Farrukh Viqaruddin Junaidy | (Group CFO) |
| K.A. Jamal | |
| Azizul Haque | |
| Muhammad Shabbir Alam | (Nominee - NIT) |
| Basheer Ahmed Chowdry | (Nominee of creditors) |
| Wajahat A.Baqai | (Nominee of creditors) |

## COMPANY SECRETARY
Syed Moonis Abdullah Alvi

## AUDIT COMMITTEE

| | |
|---|---|
| Wajahat A.Baqai | (Chairman audit committee) |
| Muhammad Khubaib | (Member) |
| Azizul Haque | (Member) |

## CHIEF FINANCIAL OFFICER
K.A. Jamal

## REGISTERED OFFICE
Dewan Center
3-A Lalazar
Beach Hotel Road
Karachi

## FACTORY
Deh Dhando, Malir, Karachi

## AUDITORS
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Rafaqat Babar & Co.
Chartered Accountants

## LEGAL ADVISOR

| | |
|---|---|
| Sardar M. Ejaz Khan | (Advocate) |
| Shareef & Co. | (Advocates) |

## WEBSITE
www.dewangroup.com.pk

# DIRECTORS' REVIEW

بسم الله الرحمن الرحيم

BEGIN IN THE NAME OF ALLAH,
THE MOST GRACIOUS AND MERCIFUL

The Board of Directors of your company is pleased to present you the Quarterly Report along with un-audited accounts of the company, for the quarter ended March 31, 2005.

## Overview of Cement industry and Future Outlook

Domestic consumption of cement has continued to maintain a double-digit growth rate, During the quarter under review domestic consumption was 3.6 million tons at an increased level of 12.4% over corresponding quarter of the prior year. Exports have grown by 6.5% against the corresponding quarter of the prior year.

As a result the industry despatched a total of 3.9 million tons of cement, increasing by 12% above prior year.

This healthy growth in local consumption and the opening of the Afghan market, with prospects of Middle East markets especially Iraq and UAE being available for Pakistani cement manufacturers, has triggered expansion projects by the main players. These new capacities will start coming on-stream mainly during the years 2006 to 2008, by then demand is expected to grow to allow around 70% capacity utilization. If the export market is expanded, capacity utilization may be further improved.

## Marketing

Cement consumption in South Zone clocked a growth of 14.2% over prior year; however, your company increased its sales by 26.7%, thus substantially increasing its share of market in South Zone from 21.2% prior year’s third quarter to 23.5% for the quarter under review. This was possible because of a higher sales volume as the company despatched 199,445 tons during the quarter (157,421 tons prior period).

Local prices of cement have remained stable with slight improvement. The net retention price has also increased for sales of the quarter under review as compared to prior year’s third quarter.

## Expansion of Plant

The company has commenced the work on its Line-II, civil work is 25% complete, mechanical work is 15% complete and finalization of equipment along with its upgradation and financial arrangements are in process.

## Debt Servicing

Alhamdulillah your company has timely discharged the liability of financial institutions on due date.

## Acknowledgements

The Board would like to place on record its gratitude to the 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 and cooperation they are extending in turning around the company.

We also thank our valued consumers, venders, contractors and creditors for maintaining long-term business relationship with the company.

اِنَّ رَبِّیْ لَسَمِیْعُ الدُّعَآءِ ـــ (القرآن)

حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

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

For and on behalf of the board of Directors

Zaheer M. Jaleel
Chief Executive

Karachi
Date: April 29, 2005

# BALANCE SHEET

## AS AT MARCH 31, 2005

| | (Un-audited) March 31, 2005 Rs. '000' | (Audited) June 30, 2004 Rs. '000' |
|---|---|---|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Tangible fixed assets | | |
| Operating fixed assets | 4,880,927 | 5,057,069 |
| Capital work-in-progress | 450,553 | 347,193 |
| | 5,331,480 | 5,404,262 |
| Long term investment | 800,000 | 800,000 |
| Long term loans | 1,052 | 1,092 |
| Long term deposits | 2,105 | 2,524 |
| CURRENT ASSETS | | |
| Current portion of long term loans | 237 | 528 |
| Stores and spares | 234,703 | 183,744 |
| Stock-in-trade | 150,949 | 28,916 |
| Trade debts | 40,963 | 30,463 |
| Due from an associated undertaking | 221,555 | 16,803 |
| Advances, deposits and prepayments | 149,163 | 47,677 |
| Other receivables | 31,110 | 7,498 |
| Short-term investments | 5,899 | 6,044 |
| Cash and bank balances | 31,596 | 22,070 |
| | 866,175 | 343,743 |
| TOTAL ASSETS | 7,000,812 | 6,551,621 |
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL AND RESERVES | | |
| Authorised capital 150,000,000 (June 30, 2004:150,000,000) ordinary shares of Rs 10/- each | 1,500,000 | 1,500,000 |
| Issued, subscribed and paid-up capital | 825,000 | 825,000 |
| Reserves | 103,383 | 23,540 |
| | 928,383 | 848,540 |
| SURPLUS ON REVALUATION OF FIXED ASSETS | 803,219 | 813,408 |
| SUBORDINATED LOANS | 500,000 | - |
| NON-CURRENT LIABILITIES | | |
| Redeemable capital | 2,833,084 | 3,346,933 |
| Long term loans | 499,672 | 44,672 |
| Liabilities against assets subject to finance leases | 1,631 | 4,907 |
| Retention money | 19,232 | 18,981 |
| Security deposits | 40,895 | 134,215 |
| Deferred taxation | 504,076 | 505,128 |
| | 3,898,590 | 4,054,836 |
| CURRENT LIABILITIES | | |
| Current portion of long term liabilities | 307,427 | 71,039 |
| Short term loans | - | 92,400 |
| Creditors, accrued and other liabilities | 543,512 | 651,204 |
| Taxation - net | 19,681 | 20,194 |
| | 870,620 | 834,837 |
| TOTAL EQUITY AND LIABILITIES | 7,000,812 | 6,551,621 |

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

Zaheer Mustafa Jaleel
Chief Executive

Farrukh Viqaruddin Junaidy
Director

# PROFIT & LOSS ACCOUNT

## FOR THE QUARTER ENDED MARCH 31, 2005 (UN-AUDITED)

| | 9 Months Ended | | Quarter Ended | |
|---|---|---|---|---|
| | March 31 2005 | March 31 2004 | March 31 2005 | March 31 2004 |
| | Rs. '000' | Rs. '000' | Rs. '000' | Rs. '000' |
| NET SALES | 1,329,446 | 985,191 | 610,923 | 412,006 |
| COST OF SALES | 1,053,147 | 739,225 | 461,967 | 305,830 |
| GROSS PROFIT | 276,299 | 245,966 | 148,956 | 106,176 |
| Other Income | 8,613 | 7,878 | 3,154 | 2,198 |
| | 284,912 | 253,844 | 152,110 | 108,374 |
| General and administrative expenses | 36,320 | 32,599 | 13,089 | 11,012 |
| Selling and distribution expenses | 3,620 | 3,365 | 1,557 | 1,193 |
| Other charges | 1,742 | - | 1,648 | - |
| | 41,682 | 35,964 | 16,294 | 12,205 |
| OPERATING PROFIT | 243,230 | 217,880 | 135,816 | 96,169 |
| Financial charges | 167,981 | 24,723 | 62,352 | 8,271 |
| PROFIT BEFORE TAXATION | 75,249 | 193,157 | 73,464 | 87,898 |
| Taxation - Current | 6,647 | 4,942 | 3,054 | 2,062 |
| - Deferred | 35,549 | 56,542 | 29,968 | 18,848 |
| | 42,196 | 61,484 | 33,022 | 20,910 |
| NET PROFIT AFTER TAXATION | 33,053 | 131,673 | 40,442 | 66,988 |
| BASIC EARNINGS PER SHARE (Rs./share) | 0.40 | 1.60 | 0.49 | 0.81 |
| DILUTED EARNINGS PER SHARE (Rs./share) | 0.40 | 0.72 | 0.49 | 0.36 |

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

Zaheer Mustafa Jaleel
Chief Executive

Farrukh Viqaruddin Junaidy
Director

# CASH FLOW STATEMENT

## FOR THE PERIOD ENDED MARCH 31, 2005 (UN-AUDITED)

| | March 31 2005 (Rs. '000') | March 31 2004 (Rs. '000') |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the period before taxation | 75,249 | 193,157 |
| Adjustments | 366,525 | 50,690 |
| Operating profit before working capital changes | 441,774 | 243,847 |
| Working capital changes | (671,313) | (142,607) |
| Cash (used in)/generated from operations | (229,539) | 101,240 |
| Financial charges paid | (124,981) | (18,377) |
| Income tax paid | (7,160) | (19,638) |
| Long term loans & deposits | 751 | (1,889) |
| Deposits from dealers and retention money | (93,069) | 121,820 |
| Net cash (outflow)/inflow from operating activities | (453,998) | 183,156 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (109,328) | (142,774) |
| Sale proceed of fixed assets | 904 | 671 |
| Net cash used in investing activities | (108,424) | (142,103) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Subordinated loans | 500,000 | - |
| Short term loans and finances | (92,400) | (1,806) |
| Liabilities against assets subject to finance leases | (4,425) | (1,417) |
| Redeemable capital | (286,227) | (26,157) |
| Long term loans | 455,000 | - |
| Net cash generated from/(used in) financing activities | 571,948 | (29,380) |
| Net increase in cash and cash equivalents | 9,526 | 11,673 |
| Cash and cash equivalents at the beginning of the period | 22,070 | 54,874 |
| Cash and cash equivalents at the end of the period | 31,596 | 66,547 |

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

Zaheer Mustafa Jaleel
Chief Executive

Farrukh Viqaruddin Junaidy
Director

# STATEMENT OF CHANGES IN EQUITY

## FOR THE PERIOD ENDED MARCH 31, 2005 (UN-AUDITED)

| | Issued, subscribed and paid up capital | Reserves | | | Total |
|---|---|---|---|---|---|
| | | Revenue Reserve | Accumulated Profit/(Loss) | Total Reserve | |
| | (Rs. in '000') | | | | |
| Balance as at June 30, 2003 | 825,000 | 395,000 | (1,556) | 393,444 | 1,218,444 |
| Effects of restatement with regard to change in policy for deferred taxation as already reported in the most recent annual financial statements | - | - | (193,270) | (193,270) | (193,270) |
| Balance as at July 01, 2003-restated | 825,000 | 395,000 | (194,826) | 200,174 | 1,025,174 |
| Profit after taxation for the period July 1, 2003 to March 31, 2004 | - | - | 188,215 | 188,215 | 188,215 |
| Effects of restatement with regard to change in policy for deferred taxation as already reported in the most recent annual financial statements | - | - | (56,543) | (56,543) | (56,543) |
| Balance as at March 31, 2004-restated | 825,000 | 395,000 | (63,154) | 331,846 | 1,156,846 |
| Balance as at July 01, 2004 | 825,000 | 395,000 | (371,460) | 23,540 | 848,540 |
| Profit after taxation for the period July 1, 2004 to March 31, 2005 | - | - | 33,053 | 33,053 | 33,053 |
| Amount of incremental depreciation transferred from surplus on revaluation of fixed assets to accumulated loss | - | - | 46,790 | 46,790 | 46,790 |
| Balance as at March 31, 2005 | 825,000 | 395,000 | (291,617) | 103,383 | 928,383 |

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

Zaheer Mustafa Jaleel
Chief Executive

Farrukh Viqaruddin Junaidy
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED MARCH 31, 2005 (UN-AUDITED)

1. NATURE OF BUSINESS

Dewan Cement Limited (formerly Pakland Cement Limited) 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 Dewan Centre, 3-A Lalazar, Beach Hotel Road, Karachi. The principal activity of the company is manufacturing and sale of cement.

2. CHANGE IN NAME

The name of the company has been changed to Dewan Cement Limited and resolution to such effect has been passed in the most recent Annual General Meeting (AGM) of the Company. Such change has been approved by the Registrar of Companies on February 25, 2005.

3. RESTRUCTURING OF BORROWING ARRANGEMENTS

As a result of takeover of management by Dewan Mushtaq Group (DMG), the creditors, being the holders of TFCs, and the new management have finalized the Scheme which is now approved by the Honourable High Court of Sindh, whereby, the creditors have approved the following:

- Waiver of mark-up from TFCs - Series A and C for the period January 01, 2001 to May 31, 2004.
- Waiver of seventy percent of the outstanding liability as of May 31, 2004 from TFCs - Series B representing accrued return on the principal / investment portion of previously restructured liabilities.
- The Executive Committee constituted under the previous Scheme of Arrangement will remain operative to monitor the financial affairs of the company.

As the effective date of the Scheme was June 01, 2004, the company had already taken the effects of the Scheme in its financial statements for the year ended June 30, 2004.

4. BASIS OF PREPARATION

These financial statements are unaudited and are being submitted to the shareholders as required 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", as applicable in Pakistan, and SRO No. 764(1) 2001 dated November 5, 2001 of Securities and Exchange Commission of Pakistan. These financial statements should be read in conjunction with the published financial statements of the company for the year ended June 30, 2004.

5. ACCOUNTING POLICIES

5.1 The accounting policies followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2004 except for the changes described in notes 5.2 and 5.3 below.

5.2 During the period, the Securities and Exchange Commission of Pakistan (SECP) substituted the Fourth Schedule to the Companies Ordinance, 1984, with effect from July 05, 2004. This has resulted in the change in accounting policy pertaining to recognition of dividend declared and other appropriations made subsequent to the year / period end. The change in accounting policy has not resulted in any effect in these financial statements or the prior period.

5.3 To comply with the change in the Fourth Schedule, read with the requirements of SECP circular No. 1 of 2005, dated January 19, 2005, the company has changed its policy regarding capitalization of exchange gains / losses related to capital projects. Previously the company had policy of capitalizing such exchange fluctuations, whereas, now all exchange fluctuations on foreign currency loans are taken to profit and loss account. Such change in policy has been adopted prospectively and has no effect on these financial statements.

5.4 In accordance with the IAS-16, every company should select the method for charging depreciation that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits. Such IAS further requires that such pattern of flow of economic benefits should be periodically reviewed and reassessed. In the light of the same, the management of the company has decided to change the method of applying depreciation to units of production method from the diminishing balance method for plant and machinery. The units of production method resulted in a depreciation charge based on the expected use or output. Had such change in estimate not been made, the depreciation charge for the period would have been higher by Rs. 173.218 million and the fixed assets would have been reduced by a similar amount.

6. SUBORDINATED LOANS

This represents advance contribution from certain DMG companies/individuals against future issue of right shares. Legal formalities and approval from their respective boards are in process.

7. CONTINGENCIES AND COMMITMENTS

There are no material changes in contingent liabilities from June 30, 2004.

| | March 31 2005 M. Tons | March 31 2004 M. Tons |
|---|---|---|
| **8. CAPACITY - CLINKER** | | |
| Installed capacity (annual) | 900,000 | 900,000 |
| Production (year to date) | 469,812 | 381,160 |

9. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on April 29, 2005 by the Board of Directors of the Company.

10. GENERAL

10.1 Comparative figures, except for balance sheet figures, are un-audited.

10.2 Figures have been rounded off to the nearest thousand rupees.

10.3 Figures have been re-arranged, wherever necessary for the purpose of comparison.

Zaheer Mustafa Jaleel
Chief Executive

Farrukh Viqaruddin Junaidy
Director