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## Company Information

### BOARD OF DIRECTORS

#### Executive Directors

Dewan Muhammad Yousuf Farooqui  
Syed Muhammad Anwar  
Mr. Haroon Iqbal

Chairman Board of Directors  
Chief Executive Officer

#### Non-Executive Directors

Dewan Abdul Baqi Farooqui  
Dewan Abdul Rehman Farooqui  
Mr. Ishtiaq Ahmad

#### Independent Director

Mr. Aziz-ul-Haque

### AUDIT COMMITTEE MEMBERS

Mr. Aziz-ul-Haque  
Dewan Abdul Rehman Farooqui  
Mr. Haroon Iqbal

Chairman  
Member  
Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Dewan Muhammad Yousuf Farooqui  
Mr. Haroon Iqbal  
Mr. Aziz-ul-Haque

Chairman  
Member  
Member

### CHIEF FINANCIAL OFFICER

Mr. Imran Ahmed Javed

### COMPANY SECRETARY

Muhammad Hanif German

### AUDITORS

Faruq Ali & Co.  
Chartered Accountants

### COST AUDITORS

Rafaqat Mansha Mohsin Dossani Masoom & Co.  
Chartered Accountants

### LEGAL ADVISOR

Muhammad Azhar Faridi (Advocate)

### SHARES REGISTRAR TRANSFER AGENT

BMF Consultants Pakistan (Pvt.) Limited  
Anum Estate, Room No. 310 & 311, 3<sup>rd</sup> Floor,  
49, Darul Aman Society, Main Shahrah-e-Faisal,  
Adjacent to Baloch Colony Bridge, Karachi, Pakistan.

### REGISTERED ADDRESS

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

### CORPORATE OFFICE

Block-A, 2<sup>nd</sup> 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

### WEBSITE

www.yousufdewan.com

## 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 third quarter ended March 31, 2014.

#### Overview of Cement Industry

The cement industry in Pakistan concluded the nine months of current financial year ended March 31, 2014 with a little growth of 0.96% with overall volume 24.77 million tons as compared to 24.54 million tons achieved during same period last year. The overall sales volume increased by 0.23 million tons.

The local sales volumetric growth of 2.11% during nine month of the current financial year with the sales volume of 18.76 million tons as compared to 18.37 million tons achieved during the same period last year.

The export sales volume of the industry decreased by 2.46% that is reduced volume of 0.15 million tons as compared to same period last year volume of 6.168 million tons.

#### Overview of Your Company

##### Production

	<b>Upto March 2014 (In tons)</b>	<b>Upto March 2013 (In tons)</b>	<b>Variance (% Age)</b>
Clinker	1,013,855	1,056,321	(4.02)
Cement	1,048,436	1,036,339	1.17

##### Cement Dispatches

	<b>Upto March 2014 (In tons)</b>	<b>Upto March 2013 (In tons)</b>	<b>Variance (% Age)</b>
Local Sales	875,047	953,252	(8.20)
Export Sales	185,668	107,600	72.55
<b>Total</b>	<b>1,060,715</b>	<b>1,060,852</b>	<b>(0.01)</b>

**Operating Performance**

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

	<b>Upto March 2014</b> <b>(Rs. '000')</b>	<b>Upto March 2013</b> <b>(Rs. '000')</b>	<b>Variance</b> <b>(% Age)</b>
Net Sales	6,812,330	6,323,544	7.73
Cost of goods sold	(5,984,884)	(5,524,710)	8.33
Gross Profit	827,446	798,834	3.58
Expenses & Taxes	(540,545)	(451,189)	19.80
Net Profit	<u>286,901</u>	<u>347,645</u>	<u>(17.48)</u>

The electricity tariff in South region increased by 73% in off peak Hours and 52% in Peak hours. This increase largely affected the cost of production. Those cement manufacturer who have their own captive power plants based on Gas and Heat recovery power plants were not affected by this increase. The management is planning to set up a Waste Heat Recovery Power Plant which will partially set off the increase in electricity Tariff.

**Future Outlook**

We have observed that the demand of cement in domestic market has started picking up day by day as the government has allocated substantial funds for Public Sector Development Projects (PSDP) and this will be a key trigger for increase of cement demand in domestic market.

The export of cement through land route to Afghanistan and India are expected to increase. Regarding export of cement through by sea route to various African countries are fast growing export markets for Pakistani cement and today, Pakistani cement / clinker is being exported to Sri Lanka, India, Qatar, Sudan, Yemen, Somalia, Tanzania and other countries. It is forecasted that the global cement demand will rise.


### **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 Board of Directors



**Dewan Muhammad Yousuf Farooqui**  
Chairman Board of Directors

Dated: April 28, 2014  
Place: Karachi

DEWAN CEMENT LIMITED

Interim Condensed Balance Sheet - (Un-audited)

As At March 31, 2014

		(Un-audited) March 31, 2014	(Audited) June 30, 2013
<b>ASSETS</b>	<b>Note</b>		
----- Rupees in '000' -----			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	19,347,797	19,448,417
Long-term deposits		118,085	43,512
Long-term loans		5,630	2,763
		<u>19,471,512</u>	<u>19,494,692</u>
<b>CURRENT ASSETS</b>			
Stores and spare parts		749,929	522,930
Stock in trade		759,391	671,008
Trade debts - Unsecured		474,944	441,664
Loans and advances - Unsecured		198,376	251,215
Trade deposits and short term payments		34,813	23,458
Other receivables - Considered good		27,248	16,207
Short term investments		11,656	8,545
Taxation - Net		156,784	103,682
Cash and bank balances		133,459	64,067
		<u>2,546,600</u>	<u>2,102,776</u>
<b>TOTAL ASSETS</b>		<u>22,018,112</u>	<u>21,597,468</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 500,000,000 (June 30, 2013: 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		3,891,133	3,891,133
Reserves - Net		915,143	588,450
		<u>4,806,276</u>	<u>4,479,583</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax</b>	6	3,669,065	3,708,857
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	7	1,367,438	1,501,183
Advances for investment in term finance certificates	8	3,410,000	3,560,000
Long-term deposits and payables		1,221,906	1,001,033
Deferred taxation		1,724,424	1,774,774
		<u>7,723,768</u>	<u>7,836,990</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,951,648	1,766,338
Short-term borrowings		560,875	560,875
Mark-up payable	11	1,038,963	1,038,963
Current and overdue portion of long term borrowings	9	2,197,011	2,130,387
Sales tax payable		70,506	75,475
		<u>5,819,003</u>	<u>5,572,038</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>22,018,112</u>	<u>21,597,468</u>

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



Syed Muhammad Anwar  
Chief Executive Officer



Haroon Iqbal  
Director

**Interim Condensed Profit And Loss Account - (Un-audited)  
For The Period Ended March 31, 2014**

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Rupees in '000'-----			
Turnover - Net	6,812,330	6,323,544	2,364,404	2,338,107
Cost of sales	(5,984,884)	(5,524,710)	(2,089,285)	(2,020,437)
<b>Gross profit</b>	827,446	798,834	275,119	317,670
Distribution cost	(140,067)	(75,175)	(65,995)	(40,021)
Administrative expenses	(357,845)	(333,598)	(145,809)	(141,135)
Other operating expenses	(28,082)	(28,298)	30,115	(9,423)
Other operating income	12,173	7,385	7,848	2,005
<b>Operating profit</b>	313,625	369,148	101,278	129,096
Finance cost	11 (8,951)	(13,447)	(2,516)	(9,408)
<b>Profit before taxation</b>	304,674	355,701	98,762	119,688
Taxation - Net	(17,773)	(8,056)	(3,024)	(4,453)
<b>Profit after taxation</b>	286,901	347,645	95,738	115,235
<b>Other comprehensive income for the period:</b>				
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	60,427	68,803	20,537	21,174
Related deferred tax	(20,635)	(23,562)	(7,016)	(7,238)
	39,792	45,241	13,521	13,936
<b>Total comprehensive income for the period</b>	326,693	392,886	109,259	129,171
<b>Earnings per share - Basic and diluted (Rupees)</b> 12	0.74	0.89	0.25	0.30

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



**Syed Muhammad Anwar**  
Chief Executive Officer



**Haroon Iqbal**  
Director



**Interim Condensed Cash Flow Statement - (Un-audited)**  
**For The Period Ended March 31, 2014**

	March 31, 2014	March 31, 2013
	----- Rupees in '000' -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	623,336	271,798
Income tax paid	(121,225)	(10,631)
Long-term loans - net	(2,867)	14
Long-term deposits - net	(74,573)	(375)
Workers profit participation fund	(61,744)	-
Long-term deposits and payables - net	(455)	(12,750)
<b>Net cash flow from operating activities</b>	<b>362,472</b>	<b>248,056</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(199,150)	(101,620)
Proceeds from sale of property, plant and equipment	937	282
Dividend received	-	102
<b>Net cash used in investing activities</b>	<b>(198,213)</b>	<b>(101,236)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing - net	(89,285)	(14,285)
Finance cost paid	(5,582)	(13,447)
<b>Net cash used in financing activities</b>	<b>(94,867)</b>	<b>(27,732)</b>
Net Increase in cash and cash equivalents	69,392	119,088
Cash and cash equivalents at the beginning of the period	64,067	125,785
Cash and cash equivalents at the end of the period	<b>133,459</b>	<b>244,873</b>

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



**Syed Muhammad Anwar**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**Interim Condensed Statement Of Changes In Equity - (Un-audited)  
For The Period Ended March 31, 2014**

	Issued, subscribed and paid-up capital	Reserves			Total equity
		Capital	Revenue	Total	
		Merger reserve	Accumulated Profit/(loss)		
----- Rupees in '000' -----					
<b>Balance as at July 01, 2012</b>	3,891,133	629,444	(490,574)	138,870	4,030,003
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	347,645	347,645	347,645
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - Net of tax	-	-	45,241	45,241	45,241
	-	-	392,886	392,886	392,886
<b>Balance as at March 31, 2013</b>	<u>3,891,133</u>	<u>629,444</u>	<u>(97,688)</u>	<u>531,756</u>	<u>4,422,889</u>
<b>Balance as at July 01, 2013</b>	3,891,133	629,444	(40,994)	588,450	4,479,583
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	286,901	286,901	286,901
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - Net of tax	-	-	39,792	39,792	39,792
	-	-	326,693	326,693	326,693
<b>Balance as at March 31, 2014</b>	<u>3,891,133</u>	<u>629,444</u>	<u>285,699</u>	<u>915,143</u>	<u>4,806,276</u>

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



**Syed Muhammad Anwar**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**Notes To The Interim Condensed Financial Statements - (Un-audited)  
For The Period Ended March 31, 2014****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, Shahr-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, Khyber Pakhtoonkhwa.

**2 GOING CONCERN ASSUMPTION**

The interim condensed financial statements for the period ended March 31, 2014 reflect Profit after taxation of Rs.286.901 million (Profit after taxation June 2013: 386.424 million) and as of that date its current liabilities exceeded its current assets by Rs.3,272.403 million (June 2013:Rs.3,469.262 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 remain 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. The Company was able to reach at settlement with certain lenders (as disclosed in annual financial statements for the year ended June 30, 2013) and expects that all debt will be restructured in near future. Accordingly, the company has proposed restructuring of its entire debt in the following manner:

- (a) That principal to be repaid in 36 equal quarterly installments starting after grace period of one year;
- (b) That the grace period of one year to commence from the date of restructuring;
- (c) Markup relating to previous as well as for future periods will not be charged, hence will not be paid.

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 interim condensed 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, 2013.

### 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, 2013.
- 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, 2013.

### 5 PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) March 31, 2014	(Audited) June 30, 2013
Note	----- Rupees in '000' -----	
Operating assets - Owned	5.1 17,699,822	17,961,686
Assets subject to finance lease	1,380	1,768
Capital work-in-progress	5.2 1,646,595	1,484,963
	<u>19,347,797</u>	<u>19,448,417</u>

**DEWAN CEMENT LIMITED**

	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
----- Rupees in '000' -----			
<b>5.1 Operating fixed assets</b>			
Opening book value		17,961,686	18,385,881
Additions during the period / year	5.1.1	37,517	4,821
Transfer from Assets subject to finance lease		125	-
Disposal during the period / year		(626)	(282)
Depreciation charged during the period / year		(298,880)	(428,734)
		<u>17,699,822</u>	<u>17,961,686</u>

**5.1.1** Addition during the period amounting of Rs.37.517 million (June 2013 : Rs.4.821 million).

**5.2 Capital work in progress**

Opening balance	1,484,963	1,114,517
Additions during the period / year	161,632	370,446
	<u>1,646,595</u>	<u>1,484,963</u>
Less: capitalized during the period / year	-	-
	<u>1,646,595</u>	<u>1,484,963</u>

**6 SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax**

Gross surplus	5,347,297	5,407,724
Less: Related deferred tax	1,678,232	1,698,867
	<u>3,669,065</u>	<u>3,708,857</u>

**7 LONG TERM FINANCING**

During the period under consideration, a compromise agreements have been executed with lenders, the liabilities have been acknowledged at principal outstanding amount of Rs. 150 million, which is repayable in 36 equal installments after grace period of one year bearing no markup.

Other principal terms and conditions of outstanding loans have remained the same as disclosed in the financial statements of the Company for the year ended June 30, 2013.

**8 ADVANCES FOR INVESTMENT IN TERM FINANCE CERTIFICATES**

It represents private placement (Pre-IPO) investment of Rs. 3.410 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 annual financial statements for the year ended June 30, 2013. Till the matter is resolved suitably with investors, management has decided to classify the same as long term liability which is a departure with the requirements of IAS-1 "presentation of financial statements".

## 9 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS

It includes over due portion amounting to Rs.1,933.333 million.

## 10 CONTINGENCIES AND COMMITMENTS

During the period the company has filed petition in the Hon'able High Court of Sind against FBR for the refund of 1% Special Excise Duty amounting to Rs. 167.252 million against the SRO 655(1)/2007 of FBR, the Hon'able High Court vide its order dated December 10, 2013 directed the FBR to release the aforesaid refund on or before December 31, 2013. However, the department has filed an appeal in Hon'able Supreme Court which pending adjudication, for which the company expects favorable outcome. There has been no other significant change in the status of contingencies and commitments as reported in the annual financial statements for the year ended June 30, 2013.

## 11 FINANCE COST

Company has not made the provision of markup for the period amounting to Rs. 716.336 million (Upto June 30, 2013: Rs.4,496.706 million) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 2. 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.716.336 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 5,213.042 million. The said non provisioning is a departure from the requirements of IAS-23 'Borrowing Costs'.

## 12 EARNINGS PER SHARE - BASIC AND DILUTED

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Rupees in '000'-----			
Profit for the period after taxation	286,901	347,645	95,738	115,235
	----- No. of Shares '000' -----			
Weighted average number of shares in issue	389,113	389,113	389,113	389,113
	----- Rupees -----			
Eaminge per share - Basic and diluted	0.74	0.89	0.25	0.30

**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:

	March 31, 2014	March 31, 2013
	----- Rupees '000' -----	
<b>Employee benefit fund</b>		
Contribution to staff retirement fund.	20,406	16,426
<b>Transaction with associated companies</b>		
Purchases	14,927	-

**14 CAPACITY - CLINKER (Tons)**

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	----- Rupees In '000' -----			
Installed capacity for the period	2,205,000	2,205,000	735,000	735,000
Actual production for the period	1,013,855	1,056,321	345,211	360,848

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 authorized for issue on 28th April, 2014 by the Board of Directors of the Company.

**16 GENERAL**

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



**Syed Muhammad Anwar**  
Chief Executive Officer



**Haroon Iqbal**  
Director