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Company Information

BOARD OF DIRECTORS

Executive Directors

Dewan Muhammad Yousuf Farooqui
Syed Muhammad Anwar
Mr. Haroon Iqbal

Chairman Board of Director
Chief Executive Officer

Non-Executive Directors

Dewan Abdul BaqI Farooqui
Dewan Abdul Rehman Farooqui
Mr. Ghazanfar Baber Siddiqui

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

Mr. 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, 3rd Floor,
49, Darul Aman Society, Main Shahrah-e-Faisal,
Adjacent to Baloch Colony Bridge, Karachi, Pakistan.

REGISTERED ADDRESS

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

CORPORATE 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

WEBSITE

www.yousufdewan.com

Directors' Report

The Directors are pleased to present un-audited financial results for the quarter ended September 30, 2014.

Overview

The Cement industry marked a growth of 4.68% in dispatches for the quarter Jul - Sep 2014 as compared to the previous one. The increase in the domestic dispatches was 9.85% and the decrease in exports was 8.13%. Total dispatches were 8.16 million metric tons which includes 6.10 million tons domestic and 2.06 million tons exports. Previous financial quarter total dispatches were 7.80 million tons which comprises 5.56 million domestic and 2.24 million tons exports.

Production

	Upto Sept. 2014 (In tons)	Upto Sept. 2013 (In tons)	Variance (% Age)
Clinker	356,379	291,957	22.07
Cement	421,281	327,430	28.66

Cement Dispatches

	Upto Sept. 2014 (In tons)	Upto Sept. 2013 (In tons)	Variance (% Age)
Local Sales	295,253	286,886	02.92
Export Sales	129,343	49,381	161.92
Total	<u>424,596</u>	<u>336,267</u>	<u>26.27</u>

Operating Performance

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

DEWAN CEMENT LIMITED

	Upto Sept. 2014 (Rs. '000')	Upto Sept. 2013 (Rs. '000')	Variance (% Age)
Net Sales	2,719,037	2,067,397	31.52
Cost of goods sold	(2,360,335)	(1,839,063)	(28.34)
Gross profit	358,702	228,334	57.10
Expenses & Taxes	(291,096)	(156,160)	(86.41)
Net profit	<u>67,606</u>	<u>72,174</u>	<u>(6.33)</u>

Despite the increase in sales of both local and export, the overall profitability did not increase by the same ratio mainly due to increase in electricity cost and we do not have waste heat recovery plant.

The improvement in quality of cement has gradually started to reflect in the sales and in the future months the company expects growth in its local dispatches.

The company is also planning to initiate waste heat recovery project to reduce the fuel and power however it is subject to availability of funds.

Future Outlook

Government has allocated substantial funds for Public Sector Development Projects (PSDP), hence the demand of cement in domestic market is expected to increase. This is expected to increase the demand of cement in domestic market for the next financial quarter.

The exports sales volume may normalize in the future which has been on a declining curve for the last few years.

The consumption of cement in Sri Lanka, Tanzania and Qatar is rising day by day. The demand in East & South African countries is also escalating and thus opening a prospect for Pakistani Cement and Clinker.

Furthermore, the export of cement by sea and road to India is also a growing market. The demand of cement in Afghanistan is expected to increase through land route.

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: October 28, 2014
Place: Karachi

DEWAN CEMENT LIMITED

**Interim Condensed Balance Sheet
As At September 30, 2014**

		(Un-audited) September 30, 2014	(Audited) June 30, 2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	20,738,037	20,653,656
Long-term deposits		102,893	100,228
Long-term loans		2,106	4,291
		<u>20,843,036</u>	<u>20,758,175</u>
CURRENT ASSETS			
Stores and spare parts		726,496	652,081
Stock-in-trade		506,521	653,149
Trade debts - unsecured		765,317	600,920
Loans and advances - unsecured		353,101	178,033
Trade deposits and short-term payments		120,258	99,966
Other receivables - Considered good		111,255	103,392
Short-term investments		8,465	10,551
Taxation - Net		188,809	163,532
Cash and bank balances		216,214	149,722
		<u>2,996,436</u>	<u>2,611,346</u>
TOTAL ASSETS		<u>23,839,472</u>	<u>23,369,521</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
500,000,000 (June 30, 2014: 500,000,000)			
Ordinary shares of Rs. 10/- each		5,000,000	5,000,000
Issued, subscribed and paid-up-capital		3,891,133	3,891,133
Reserves - Net		1,237,102	1,150,327
		<u>5,128,235</u>	<u>5,041,460</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - Net of Tax	7	4,712,265	4,731,433
NON-CURRENT LIABILITIES			
Long-term financing	8	1,124,855	1,190,367
Advances for investment in term finance certificates	9	3,460,000	3,460,000
Long-term deposits and payables		1,246,761	1,220,265
Deferred taxation		2,016,327	2,026,201
		<u>7,847,943</u>	<u>7,896,833</u>
CURRENT LIABILITIES			
Trade and other payables		2,243,458	1,835,289
Short-term borrowings		560,875	560,875
Mark-up payable	12	1,038,963	1,038,963
Current and overdue portion of long term borrowings	10	2,241,616	2,201,480
Sales tax payable		66,117	63,188
		<u>6,151,029</u>	<u>5,699,795</u>
CONTINGENCIES AND COMMITMENTS	11	-	-
TOTAL EQUITY AND LIABILITIES		<u>23,839,472</u>	<u>23,369,521</u>

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



Syed Muhammad Anwar
Chief Executive Officer



Haroon Iqbal
Director

**Interim Condensed Profit And Loss Account-(Un-audited)
For The Quarter Ended September 30, 2014**

	Quarter ended	
	September 30, 2014	September 30, 2013
Note	----- Rupees in '000' -----	
Turnover - Net	2,719,037	2,067,397
Cost of sales	<u>(2,360,335)</u>	<u>(1,839,063)</u>
Gross profit	358,702	228,334
Distribution cost	(115,404)	(34,771)
Administrative expenses	(111,013)	(81,086)
Other operating expenses	(39,939)	(22,857)
Other operating income	1,249	976
Operating profit	93,595	90,596
Finance cost	12 (8,673)	<u>(3,090)</u>
Profit before taxation	84,922	87,506
Taxation - Net	(17,316)	<u>(15,332)</u>
Profit after taxation	67,606	72,174
Other comprehensive Income for the period:		
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	29,043	15,753
Related deferred tax	(9,874)	(5,342)
	19,169	10,411
Total comprehensive income for the period	<u>86,775</u>	<u>82,585</u>
Earnings per share -		
Basic and diluted (Rupees)	13 0.17	<u>0.19</u>

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



Syed Muhammad Anwar
Chief Executive Officer



Haroon Iqbal
Director

DEWAN CEMENT LIMITED

**Interim Condensed Cash Flow Statement - (Un-audited)
For The Quarter Ended September 30, 2014**

	September 30, 2014	September 30, 2013
	----- Rupees in '000' -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	351,586	192,821
Income tax paid	(52,469)	(35,417)
Payment of WPPF	(8,635)	(31,548)
Long-term loans - net	2,184	(2,835)
Long-term deposits - net	(2,665)	(52,371)
Finance cost	(3,577)	(1,562)
Long-term deposits and payables - net	19,386	(1,172)
Net cash generated from / (used in) operating activities	305,810	67,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(211,642)	(10,602)
Net cash used in investing activities	(211,642)	(10,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing - net	(29,762)	(73,262)
Net cash used in financing activities	(29,762)	(73,262)
Net decrease in cash and cash equivalents	64,406	(15,948)
Cash and cash equivalents at the beginning of the period	149,722	64,067
Cash and cash equivalents at the end of the period	<u>214,128</u>	<u>48,119</u>

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



Syed Muhammad Anwar
Chief Executive Officer



Haroon Iqbal
Director

**Notes To The Interim Condensed Financial Statements - (Un-audited)
For The Quarter Ended September 30, 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, 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 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 interim condensed financial statements for the Quarter ended September 30, 2014 reflect as of that date company's current liabilities exceeded its current assets by Rs. 3,154.593 million (June 2014:Rs.3,088.449 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, 2014) 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.

4 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, 2014.

5 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

- 5.1 The accounting policies followed for the preparation of these interim condensed financial statements are the same as those applied in preparing the annual financial statements for the year ended June 30, 2014.
- 5.2 Significant accounting estimates and judgments are the same as those applied in preparation of annual financial statements for the year ended June 30, 2014.

6 PROPERTY, PLANT AND EQUIPMENT

	(Un-audited)	(Audited)
	September 30,	June 30,
	2014	2014
	----- Rupees in '000' -----	
Operating assets - Owned	6.1 18,861,155	18,969,408
Assets subject to finance lease	1,233	1,299
Capital work-in-progress	6.2 1,875,649	1,682,949
	<u>20,738,037</u>	<u>20,653,656</u>

DEWAN CEMENT LIMITED

	(Un-audited) September 30, 2014	(Audited) June 30, 2014
	----- Rupees in '000' -----	
6.1 Operating fixed assets		
Opening book value	18,969,408	17,961,686
Additions during the period / year	6.1.1 18,942	50,939
Revaluation	-	1,392,543
Disposal during the period / year	-	(625)
Depreciation charged during the period / year	(127,195)	(435,135)
	<u>18,861,155</u>	<u>18,969,408</u>

6.1.1 Addition / transfer during the period amounting of Rs. 18.942 million (June 2014 : Rs.50.939 million).

6.2 Capital work in progress

Opening balance	1,682,949	1,484,963
Additions during the period / year	192,700	208,392
	<u>1,875,649</u>	<u>1,693,355</u>
Less: capitalized during the period / year	-	10,406
	<u>1,875,649</u>	<u>1,682,949</u>

7 SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax

Gross surplus	6,680,286	6,709,328
Less: Related deferred tax	1,968,021	1,977,895
	<u>4,712,265</u>	<u>4,731,433</u>

8 LONG TERM FINANCING

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, 2014.

9 ADVANCES FOR INVESTMENT IN TERM FINANCE CERTIFICATES

It represents private placement (Pre-IPO) investment of Rs. 3,460 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, 2014. 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".

10 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS

It includes over due portion amounting to Rs. 1,974.045 million.

11 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, 2014.

12 FINANCE COST

Company has not made the provision of markup for the period amounting to Rs. 191.281 million (Upto June 30, 2014: Rs.5,471.942 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 profit for the period would have been higher by Rs. 191.281 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 5,663.223 million. The said non provisioning is a departure from the requirements of IAS-23 'Borrowing Costs'.

13 EARNINGS PER SHARE - BASIC AND DILUTED

	<u>Quarter Ended</u>	
	<u>September 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>
	----- Rupees in '000' -----	
Profit for the period after taxation	<u>67,606</u>	<u>72,174</u>
	----- No. of Shares '000' -----	
Weighted average number of shares in issue	<u>389,113</u>	<u>389,113</u>
	----- Rupee -----	
Earning per share - Basic and diluted	<u>0.17</u>	<u>0.19</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:

DEWAN CEMENT LIMITED

	Quarter Ended	
	September 30, 2014	September 30, 2013
	----- Rupees '000'-----	
Purchases	18,000	-
Employee benefit fund		
Contribution to staff retirement fund	7,449	6,367

15 CAPACITY - CLINKER (Tons)

	Quarter Ended	
	September 30, 2014	September 30, 2013
Installed capacity for the period	<u>735,000</u>	<u>735,000</u>
Actual production for the period	<u>356,379</u>	<u>291,957</u>

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

16 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 28th October, 2014 by the Board of Directors of the Company.

17 GENERAL

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



Syed Muhammad Anwar
Chief Executive Officer



Haroon Iqbal
Director