



## Directors' Report to the Share Holders

Your Directors are pleased to present the accounts of the Company for the second quarter ended December 31, 2007, reviewed by the auditors of the Company.

The comparative data for production of clinker & cement and dispatches of cement for the second quarter is summarized hereunder:-

	Second Quarter Ended		Half Year Ended	
	Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006
	(Tonnes)		(Tonnes)	
Clinker Production	56,088	95,905	147,405	168,705
Cement :				
Production	65,301	103,327	154,213	186,077
Dispatches	66,534	107,176	155,025	184,527

During the period under review, the operating performance of the Company decreased considerably as compared to the preceding comparable quarter and half year. It was mainly attributed towards early curtailment of gas supply as against the agreed schedule of SNGPL; whereby quality burning fuel was not easily available that has hampered our planned production and was further aggravated by poor plant maintenance in the past.

Likewise, a summary of the Company's financial results for the Half year ended December, 2007 along with the comparative data of the preceding comparable period is provided here under:

	Second Quarter Ended		Half Year Ended	
	Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006
	(Rs.in Million)		(Rs.in Million)	
Gross Loss	(111.2)	(92.5)	(139.2)	(133.5)
Operating Loss	(146.9)	(123.9)	(188.2)	(176.2)
Loss before taxation	(232.6)	(167.8)	(291.2)	(253.4)
Net Loss after taxation	(159.3)	(201.6)	(218.9)	(288.4)

The Company's reduced financial performance as mentioned above is mainly attributed to Company's reduced operational performance as discussed above and stiff market competition which resulted in decline in the Company's average net sale price.

Our Company has the largest number of labor force as compared to other industry of same size, which resulted in the highest per unit labor cost in the entire cement industry. The management in order to reduce manufacturing cost, subsequent to the balance sheet date, re-trenched 317 workers. The labor resisted to this and eventually, we have to lock out factory premises. Currently the case is pending for decision in the labor court.

The Board of Directors appreciates the efforts and devotion of the executives and the entire team of management and anticipates that they will contribute towards the enhancement of the productivity and well being of the Company in future with greater zeal & spirit. The Board extends its gratitude to the financial institutions for their valued support and co-operation for the Company's prosperity.

For and on behalf of the Board

MUHAMMAD RASHEED  
Chief Executive

Lahore : March 4, 2008



## *Report on Review of Interim Financial Information to the Members*

### Introduction

We have reviewed the accompanying interim condensed balance sheet of Dandot Cement Co. Limited as at December 31, 2007 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "Interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this Interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

Based on the information provided to us by management, Dandot Cement Co. Ltd. failed to transfer current provident fund contributions and past dues to Provident fund Trust as referred to in note no. 6.1.

### Qualified Conclusion

Based on our review, with the exception of the matter described in preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our conclusion, we draw attention to note 1.2 to the interim financial information, which states that this interim financial information has been prepared assuming that the company will continue as a going concern. As explained in note 1.2 to the interim financial information the company has accumulated losses of Rs. 1,737.47 million as at December 31, 2007 and its current liabilities exceeded its current assets by Rs. 307.43 million as at that date.

Amin, Mudassar & Co.  
CHARTERED ACCOUNTANTS

Dated: March 04, 2008  
Lahore.



## Interim Condensed Balance Sheet

		December 31, 2007	June 30, 2007
		(Rupees in Thousand)	
CAPITAL AND LIABILITIES			
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (June 2007:70,000,000) ordinary shares of Rs.10 each		1,000,000	7,000,000
Issued, subscribed and paid-up capital	4	747,757	678,400
Share premium reserve		31,801	31,801
Accumulated loss		(1,737,471)	(1,541,156)
		(957,913)	(830,955)
SURPLUS ON REVALUATION OF FIXED ASSETS			
		1,285,198	1,307,782
		327,285	476,827
NON CURRENT LIABILITIES			
Loan from banking companies	5	939,652	723,214
Other loans	6	446,294	463,363
Liabilities against assets subject to finance lease		285	661
Deferred liabilities		464,458	538,709
Long term advances and deposits		8,255	6,774
		1,858,944	1,732,721
CURRENT LIABILITIES			
Trade and other payables		288,903	372,330
Mark up accrued		88,586	60,794
Short term finances- Secured	7	403,219	304,835
Current portion of long term loans and liabilities		115,830	63,866
Taxation		14,891	12,899
		911,429	814,724
CONTINGENCIES AND COMMITMENTS			
	8	-	-
		3,097,658	3,024,272

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

SAUD RASHEED  
Director



*As At December 31, 2007 (un-audited)*

	<b>December 31, 2007</b>	<b>June 30, 2007</b>
	<b>(Rupees in Thousand)</b>	
<b>PROPERTY AND ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment		
Tangible assets	9 2,421,763	2,456,937
Capital work in progress	12,972	2,254
	2,434,735	2,459,191
Long term loans	484	319
Long term security deposits	10,226	9,938
Deferred cost	48,219	68,384
	2,493,664	2,537,832
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	173,753	126,372
Stock in trade	32,463	30,411
Loans and advances	323,963	275,635
Deposits and short term prepayments	9,398	8,412
Balances with statutory authorities	21,800	20,947
Interest accrued	9,389	9,389
Other receivables	9,702	1,267
Cash and bank balances	23,526	14,007
	603,994	486,440
	<b>3,097,658</b>	<b>3,024,272</b>

  
MUHAMMAD RASHEED  
Chief Executive



## Interim Condensed Profit and Loss Account

for the period ended December 31, 2007 (un-audited)

		Second quarter ended		Half year ended	
		Dec 2007	Dec 2006	Dec 2007	Dec 2006
		(Rupees in thousand)		(Rupees in thousand)	
Sales (Net)		156,303	231,737	370,280	478,630
Cost of sales	10	267,486	324,188	509,454	612,113
Gross loss		(111,183)	(92,451)	(139,174)	(133,483)
Operating Expenses					
Distribution costs		6,614	807	8,194	1,607
Administrative expenses	11	29,077	30,668	40,851	41,177
		35,691	31,475	49,045	42,784
Operating loss		(146,874)	(123,926)	(188,219)	(176,267)
Finance costs	12	(86,660)	(46,431)	(104,081)	(80,604)
Other income		912	2,569	1,142	3,465
		(85,748)	(43,862)	(102,939)	(77,139)
Loss before taxation		(232,622)	(167,788)	(291,158)	(253,406)
Taxation :					
Current	13	921	1,181	1,992	2,430
Deferred		(74,251)	32,591	(74,251)	32,591
		(73,330)	33,772	(72,259)	35,021
Net Loss after taxation		(159,292)	(201,560)	(218,899)	(288,427)
Loss per weighted average shares- Basic (Rupees)		(2.30)	(2.97)	(3.19)	(4.25)

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

  
SAUD RASHEED  
Director

  
MUHAMMAD RASHEED  
Chief Executive

## Interim Condensed Statement of Changes in Equity

for the period ended December 31, 2007 (un-audited)

	Share capital	Share premium reserve	Accumulated Loss	Total share capital and reserves	Surplus on revaluation of fixed assets	Total
	( Rupees in Thousand )					
Balance as at July 01, 2006	678,400	31,801	(1,134,936)	(424,735)	893,191	468,456
Net loss for the half year ended December 31, 2006	-	-	(288,427)	(288,427)	-	(288,427)
Incremental depreciation transferred from surplus on revaluation of fixed assets -Net of deferred tax	-	-	23,627	23,627	(23,627)	-
Balance as at December 31, 2006	678,400	31,801	(1,399,736)	(689,535)	869,564	180,209
Balance as at July 01, 2007	678,400	31,801	(1,541,156)	(830,955)	1,307,782	476,827
Net loss for the half year ended December 31, 2007	-	-	(218,899)	(218,899)	-	(218,899)
Shares issued during the period	69,357	-	-	69,357	-	69,357
Incremental depreciation transferred from surplus on revaluation of fixed assets -Net of deferred tax	-	-	22,584	22,584	(22,584)	-
Balance as at December 31, 2007	747,757	31,801	(1,737,471)	(957,913)	1,285,198	327,285

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

  
SAUD RASHEED  
Director

  
MUHAMMAD RASHEED  
Chief Executive



## Interim Condensed Cash Flow Statement

for the period ended December 31, 2007 (un-audited)

	December 2007	December 2006
	(Rupees in Thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	(291,158)	(253,406)
Adjustments of items not involving movement of cash:		
Depreciation	44,064	49,419
Provision for gratuity	2,168	4,524
Exchange fluctuations	-	30,323
Amortization of deferred cost	20,164	20,164
Finance cost	104,081	50,281
	170,477	154,711
Operating cash flows before working capital changes	(120,681)	(98,695)
(Increase)/Decrease in operating assets:		
Stores, spares and loose tools	(47,381)	54,233
Stock in trade	(2,051)	(7,860)
Loans and advances	(48,327)	(359)
Deposits and short term prepayments	(987)	(470)
Other receivables	(8,433)	(666)
Increase/(Decrease) in trade and other payables	(87,393)	71,273
	(194,572)	116,151
	(315,253)	17,456
Long term advances and deposits	1,480	(127)
Gratuity paid	(876)	(7,967)
Finance cost paid	(73,984)	(19,309)
Income tax paid	(484)	(926)
Net Cash Flows From Operating Activities	(389,117)	(10,873)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(19,608)	(39,805)
Long term loans	(453)	581
Net Cash Flows From Investing Activities	(20,061)	(39,224)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share capital	69,357	-
Loan from banking companies	269,000	(86,362)
Other loans	(17,068)	-
Sponsors loans	-	23,422
Past dues -CBA	-	(26,179)
Repayment of lease liability (Net)	(975)	(3,458)
Short term borrowings	98,383	77,604
Net Cash Flows From Financing Activities	418,697	(14,973)
Net increase / (decrease) in Cash and Cash Equivalents	9,519	(65,070)
Cash and cash equivalents at beginning of the period	14,007	84,715
Cash and Cash Equivalents at End of the period	23,526	19,645

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

  
SAUD RASHEED  
Director

  
MUHAMMAD RASHEED  
Chief Executive



## Notes to the Accounts

for the period ended December 31, 2007 (un-audited)

### 1. THE COMPANY AND ITS OPERATIONS

1.1 The Company is a Public Limited Company Incorporated in Pakistan and is listed on Karachi and Lahore Stock exchanges. The Company started its production on March 01, 1983 and has been engaged in production and marketing of cement. The company is a subsidiary of Three Stars Cement (Pvt) Ltd.

1.2 The company has accumulated loss of Rs. 1,737.47 million and its current liabilities exceed its current assets by Rs.307.43 million as at December 31, 2007. In spite of the adverse current ratio and large accumulated loss, the company has continued financial support from its ex sponsoring directors to ensure continuity of operations and financial institutions also extended their support by disbursing Rs.270 million fresh loans which speaks of their confidence in the company. Further, in June 2007 the company was taken over by Three Star group. The new management injected Rs.173 million as loans from associated companies and has extensive plans for the extension of the production capacity and maintaining the smooth and economical operations of the plant. Moreover, during the period the company issued right shares worth Rs.270 million out of total right shares worth Rs.69.36 million have been allotted to shareholders and remaining right shares have been allotted subsequent to balance sheet date.

The directors of the company are confident that in view of the above factors and their full commitment and determination to promote the company's objectives in the long run the company will continue its operations as going concern.

Accordingly, these interim financial statements have been prepared on going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the company not be able to continue as a going concern.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements have been prepared in accordance with the requirements of international Accounting Standard (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and are being submitted to the shareholders as required under Section 243 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies adopted in these interim condensed financial statements are the same as those applied in the preparation of the preceding annual published accounts.

	December 2007	June 2007
	(Rupees in thousand)	
<b>4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
Balance as on July 01, 2007 (59,089,980 ordinary shares of Rs.10 each fully paid in cash)	590,900	590,900
Shares issued during the period (6,935,757 ordinary shares of Rs.10 each fully paid in cash)	69,357	-
	660,257	590,900
8,750,000 (June 2007 8,750,000) ordinary shares of Rs.10 each issued as fully paid bonus shares	87,500	87,500
	747,757	678,400
<b>5. LOAN FROM BANKING COMPANIES</b>		
Opening balance	759,166	258,243
Disbursed during the period	270,000	750,000
	1,029,166	1,008,243
Repaid during the period	1,000	249,078
	1,028,166	759,165
Less: Current portion shown under current liabilities	88,514	35,951
	939,652	723,214
<b>6. OTHER LOANS</b>		
Economic Affairs Division, Government of Pakistan (EAD)	39,732	52,976
Ex-Sponsors' Loan	250,000	250,000
Holding Company	139,945	139,945
Past Dues - CBA	38,899	42,724
Provident Fund Trust	4,206	4,206
	472,782	489,851
Less: Current maturity	26,488	26,488
	446,294	463,363
6.1 As per order of Executive Director of Securities and Exchange Commission of Pakistan, the amount is payable in monthly installments of Rs.1.0 million each commencing from July 01, 2003. Due to loss sustained and acute financial crunch the company was unable to pay current provident fund contribution and past dues within the stipulated time. The management is taking up with the SECP for review of its earlier order on past dues of provident fund.		
7. This includes Rs.55 million for letters of credit and Rs.55 million for forced liability created by Saudi Pak Commercial Bank Ltd against payment to SNGL against sui gas guarantee.		
<b>8. CONTINGENCIES AND COMMITMENTS</b>		
8.1 Contingencies		
There has been no significant change in contingencies since the date of preceding annual published financial statement except the matter stated as under:		
8.2 Commitments		
a) The Bank of Punjab (June 2007 Saudi Pak Commercial Bank Limited) has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited	69,870	70,777
b) Saudi Pak Commercial Bank Limited has issued Bank Guarantee in favour of Director Industries and Mineral Development, Punjab.	3,632	3,632



## Notes to the Accounts

for the period ended December 31, 2007 (un-audited)

	December 2007	June 2007
	(Rupees in thousand)	
9. OPERATING FIXED ASSETS		
Opening fixed assets at WDV	2,456,937	1,796,727
Additions	8,890	727,862
(Deletions)	-	(791)
Adjustment	-	(8,422)
	2,465,827	2,515,376
Less depreciation:		
For the period	44,065	67,307
On disposal	-	(446)
Adjustment	-	(8,422)
	44,065	58,439
	2,421,763	2,456,937

	Note	Second Quarter Ended		Half Year Ended	
		Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006
		(Rupees in Thousand)		(Rupees in Thousand)	
10. COST OF SALES					
10.1					
Raw materials consumed		19,017	32,600	39,707	82,827
Salaries, wages and benefits		30,636	46,721	61,268	84,592
Fuel, gas and electricity		135,778	161,833	290,094	293,486
Stores and spares		17,337	11,330	20,523	35,344
Rent, rates and taxes		241	43	278	1,309
Vehicle running and maintenance		2,982	3,283	5,833	6,447
Packing material		16,625	21,376	37,655	35,988
Clinker consumption		-	-	-	21,247
Depreciation		20,436	23,928	41,482	47,721
Others		6,168	4,257	12,417	13,080
		249,220	305,371	509,257	622,041
Adjustment of work in process		6,797	9,250	(1,914)	(7,349)
		256,017	314,621	507,343	614,692
Cost of goods manufactured		11,469	9,567	2,111	(2,579)
Adjustment of finished goods		267,486	324,188	509,454	612,113

10.1 It includes Golden Handshake expense of Rs.Nil (2006: Rs. 28.86 million).

11. Administration and General expenses includes deferred cost amortized amounting to Rs.20.164 million (2006:Rs.20.164 million).

### 12. FINANCE COST

Finance cost includes exchange fluctuation loss amounting Rs.Nil (2006: Exchange Fluctuation loss Rs.30.323 million).

### 13. TAXATION

In view of the available tax losses, the current tax expense represents the minimum tax on turnover for the period due under Section 113 of the Income Tax Ordinance, 2001.

### 14. TRANSACTIONS WITH RELATED PARTIES

Half year ended  
Dec 2007 Dec 2006  
(Rupees in thousand)

Holding Company		
Three stars cement (pvt) Ltd		
Mark up charged	9,796	-
Associated Company		
Three Star Hosiery Mills Ltd		
Funds paid	32,296	
Past Associated Company		
Gharibwal Cement Ltd		
Expenses paid by associated Company	-	3,854
Expenses paid on behalf of associated Company	-	186
Mark up charged	-	595
Inventory transferred	-	229
Inventory received	-	95,403
Sales	-	2,271

### 15. NON ADJUSTING EVENTS

Subsequent to balance sheet date Company retrenched 317 workers and closed down the factory from February 04, 2008 and the workers resorted to court against their retrenchment.

### 16. CORRESPONDING FIGURES

Previous figures have been rearranged and reclassified wherever necessary for the purpose of comparison and for better presentation.

### 17. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand.

### 18. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 04, 2008 by the Board of Directors of the Company.

  
SAUD RASHEED  
Director

  
MUHAMMAD RASHEED  
Chief Executive