



**Second Quarter Report
December 2009**



Dandot Cement Company Limited



Company Information

Board of Directors

Mr. Muhammad Rasheed (Chairman)
Mrs. Tanveer Rasheed
Mr. Mansoor Rasheed
Mr. Saud Rasheed
Ms. Rizwana Rasheed
Mrs. Ayesha Mansoor
Mrs. Amina Saud

Chief Executive

Mr. Mansoor Rasheed

Audit Committee

Mr. Saud Rasheed (Chairman)
Mrs. Ayesha Mansoor
Mrs. Amina Saud

Chief Financial Officer

Mr. Muhammad Kamran

Company Secretary

Mr. Muhammad Kamran

Statutory Auditors

Amin, Mudassar & Co.
Chartered Accountants

Legal Advisor

International Legal Services

Bankers

United Bank Limited
National Bank of Pakistan
Habib Bank Limited
The Bank of Punjab
Bank Alfalah Limited
KASB Bank Limited
Silk Bank Limited
NIB Bank

Registered Office

30-Sher Shah Block, New Garden Town, Lahore
Telephone: 35869827, 35842316, Fax: 35831846

Factory

DANDOT R.S., Distt. Jhelum.
Telephone: (0544) 211371, 211491 Fax: (0544) 211490

Share Registrar

Corplink (Pvt.) Ltd.
Wings Arcade I-K-Commercial, Model Town, Lahore.
Telephone: 35839182, 35887262 Fax: 35869037

Website

www.dandotcement.com



Directors' Report to the Share Holders

The directors of your company would like to present the reviewed condensed interim financial statements for the half year ended December 31, 2009.

Industry Overview

In 2009, the cement industry faced a difficult time due to poor economic conditions and low prices of the cement. However, situation is looking better in future after increase in local demand of cement with substantial rise in price which was at lowest level in 2009.

Business Performance

In October 2009, due to poor business conditions and financial crunch, management decided the temporary shutdown of the operations of the company. However, subsequent to the reviewed period with the increase in demand and rise in price of cement, the operations of the company have been resumed after arranging necessary funds by the management.

Following is the comparative data in M.Ton for the period under review:

Particulars	Second Quarter Ended		Half Year Ended	
	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Clinker production	14,818	57,436	69,150	128,511
Cement production	16,728	58,400	72,513	134,024
Cement dispatch	17,328	55,944	72,627	135,287

Financial Results

Highlights of the operating results for the period under review are summarized as under:

Particulars	Second Quarter Ended		Half Year Ended	
	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
	(Rupees in '000)		(Rupees in '000)	
Gross Profit / (Loss)	(74,976)	1,077	(126,572)	42,151
Operating Loss	(81,426)	(33,141)	(146,995)	(19,325)
Loss before taxation	(144,935)	(103,461)	(272,324)	(151,386)
Loss after taxation	(76,114)	(60,200)	(204,455)	(108,125)

Auditors' Observations

The auditors have commented on the going concern assumption, un-paid status of liabilities and balance confirmation certificate from past associated company.

The directors have reasonable expectations that the company would be able to generate adequate resources to continue in the foreseeable future. Management is also trying to finalize the various issues with the financial institutions and will make detailed disclosure in the annual financial statements for the year ended June 30, 2010. The request for the balance confirmation from the past associated company has been sent but the reply has not yet been received.

Future Prospects

The industry foresees improvements with the anticipation of rise in demand and price of the cement for reconstruction of damaged infrastructure. Subsequential growth with respect to export is also forecasted in near future.

Acknowledgement

The board of directors is thankful to all the stakeholders including but not limited to bankers, employees, suppliers, distributors as well as regulators and shareholders for their continued support, cooperation and trust especially in crises tenure faced by the company in the period under review.

For and on behalf of the Board

MANSOOR RASHEED
Chief Executive

Lahore : November 13, 2010.



Auditor's Report to the Members on Review of Condensed Interim Financial Information

We have reviewed the accompanying condensed interim balance sheet of Dandot Cement Co. Limited as at December 31, 2009 and the related condensed interim profit and loss account, interim condensed cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (hereinafter 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

- i) As referred in note no. 4.1 to the interim financial information, current portion and overdue installments aggregating Rs. 511.071 million have not been classified under current liabilities. Further, company didn't pay the overdue installments of loans from banking companies aggregating Rs. 791.451 million.
- ii) As explained in note no.5.2 to the interim financial information, the company didn't pay current and old dues of the Provident Fund Trust.
- iii) Status of the amount receivable of Rs. 250 million from past associated company is same as mentioned in our audit report dated November 10, 2009 on the annual financial statements for the year ended June 30, 2009.

Qualified Conclusion

Based on our review, with the exception of the matters described in preceding paragraphs, 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 no. 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 of the interim financial information the company has accumulated losses of Rs. 2,366.38 million as at December 31, 2009 and its current liabilities exceeded its current assets by Rs. 1,070.19 million as at that date.

CHARTERED ACCOUNTANTS
Engagement Partner: Muhammad Amin

Dated: November 13, 2010
Lahore



Condensed Interim Balance Sheet

		December 31, 2009	June 30, 2009
	Note	(Rupees in Thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (June 2009:100,000,000) ordinary shares of Rs.10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital		948,400	948,400
Share premium reserve		31,801	31,801
Accumulated loss		(2,366,383)	(2,182,389)
		(1,386,182)	(1,202,188)
SURPLUS ON REVALUATION OF FIXED ASSETS			
		1,199,208	1,219,669
		(186,974)	17,481
NON CURRENT LIABILITIES			
Loan from banking companies	4	1,020,000	1,020,000
Other loans	5	382,616	384,415
Liabilities against assets subject to finance lease		-	-
Deferred liabilities		182,037	251,086
Long term advances and deposits		7,365	7,269
		1,592,018	1,662,770
CURRENT LIABILITIES			
Trade and other payables		628,673	481,733
Mark up accrued		542,110	417,087
Short term finances- Secured		436,299	449,194
Current portion of long term loans and liabilities		50,134	46,638
Provision for taxation - income tax		16,969	15,790
		1,674,185	1,410,442
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		3,079,229	3,090,693

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

MANSOOR RASHEED
Chief Executive



As At December 31, 2009 (un-audited)

		December 31, 2009	June 30, 2009
	Note	(Rupees in Thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Tangible assets	7	2,273,859	2,313,958
Capital work in progress	8	190,681	190,681
		2,464,540	2,504,639
Long term loans		382	231
Long term security deposits		10,312	10,325
		2,475,234	2,515,195
CURRENT ASSETS			
Stores, spares and loose tools		141,416	139,793
Stock in trade		30,320	19,224
Loans and advances	9	364,243	355,101
Deposits and short term prepayments		85	607
Balances with statutory authorities		53,760	46,774
Interest accrued		9,481	9,449
Other receivables		677	683
Cash and bank balances		4,013	3,867
		603,995	575,498
		3,079,229	3,090,693

SAUD RASHEED
Director



Condensed Interim Profit and Loss Account

for the half year ended December 31, 2009 (un-audited)

	Note	Second quarter ended		Half year ended	
		Dec 2009	Dec 2008	Dec 2009	Dec 2008
		(Rupees in thousand)		(Rupees in thousand)	
Sales (Net)		44,674	256,534	233,269	609,298
Cost of sales	10	119,650	255,457	359,841	567,147
Gross profit/(loss)		(74,976)	1,077	(126,572)	42,151
Operating Expenses		566	1,203	1,276	4,518
Distribution costs		5,884	33,015	19,147	56,958
Administrative expenses	11	6,450	34,218	20,423	61,476
Operating loss		(81,426)	(33,141)	(146,995)	(19,325)
Finance costs		(63,655)	(70,530)	(125,495)	(132,271)
Other income		146	210	166	210
Loss before taxation		(63,509)	(70,320)	(125,329)	(132,061)
		(144,935)	(103,461)	(272,324)	(151,386)
Taxation :					
Current		228	-	1,180	-
Deferred		(69,049)	(43,261)	(69,049)	(43,261)
		(68,821)	(43,261)	(67,869)	(43,261)
Net Loss after taxation		(76,114)	(60,200)	(204,455)	(108,125)
Loss per weighted average shares -Basic (Rupees)		(0.80)	(0.63)	(2.16)	(1.14)

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

MANSOOR RASHEED
Chief Executive

SAUD RASHEED
Director

Condensed Interim Statement of Comprehensive Income

for the half year ended December 31, 2009 (un-audited)

	Second quarter ended		Half year ended	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	(Rupees in thousand)		(Rupees in thousand)	
Loss for the period	(76,114)	(60,200)	(204,455)	(108,125)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(76,114)	(60,200)	(204,455)	(108,125)

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

MANSOOR RASHEED
Chief Executive

SAUD RASHEED
Director



Condensed Interim Statement of Changes in Equity
for the half year ended December 31, 2009 (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, 2008	948,400	31,801	(1,915,158)	(934,957)	1,262,615	327,658
Total comprehensive loss for the half year ended December 31, 2008	-	-	(108,125)	(108,125)	-	(108,125)
Incremental depreciation transferred from surplus on revaluation of fixed assets -Net of deferred tax	-	-	21,473	21,473	(21,473)	-
Balance as at December 31, 2008	948,400	31,801	(2,001,810)	(1,021,609)	1,241,142	219,533
Balance as at July 01, 2009	948,400	31,801	(2,182,389)	(1,202,188)	1,219,669	17,481
Total comprehensive loss for the half year ended December 31, 2009	-	-	(204,455)	(204,455)	-	(204,455)
Incremental depreciation transferred from surplus on revaluation of fixed assets -Net of deferred tax	-	-	20,461	20,461	(20,461)	-
Balance as at December 31, 2009	948,400	31,801	(2,366,383)	(1,386,182)	1,199,208	(186,974)

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

Condensed Interim Cash Flow Statement
for the half year ended December 31, 2009 (un-audited)

	December 2009	December 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(272,324)	(151,386)
Adjustments of items not involving movement of cash:		
Depreciation	40,099	42,069
Provision for gratuity	-	-
Amortization of deferred cost	-	20,000
Finance cost	125,495	132,271
	165,594	194,340
Operating cash flows before working capital changes	(106,730)	42,954
(Increase)/Decrease in operating assets:		
Stores, spares and loose tools	(1,623)	(16,305)
Stock in trade	(11,096)	(6,743)
Loans and advances	(9,142)	(105,462)
Deposits and short term prepayments	522	540
Other receivables	(26)	(1,385)
Increase/(Decrease) in trade and other payables	147,315	128,781
	125,950	(574)
	19,220	42,380
Long term advances and deposits	96	44
Gratuity paid	(376)	(215)
Finance cost paid	(471)	(8,729)
Income tax paid	(6,986)	(562)
Net Cash Flows From Operating Activities	11,483	32,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(5,318)
Long term loans	(139)	(138)
Net Cash Flows From Investing Activities	(139)	(5,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Other loans	1,697	(3,669)
Repayment of lease liability (Net)	-	(451)
Short term borrowings	(12,895)	(19,629)
Net Cash Flows From Financing Activities	(11,198)	(23,749)
Net Increase in Cash and Cash Equivalents	146	3,713
Cash and Cash Equivalents at Beginning of the Period	3,867	10,335
Cash and Cash Equivalents at End of the Period	4,013	14,048

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

MANSOOR RASHEED
Chief Executive

SAUD RASHEED
Director



Condensed Interim Notes to the Accounts

for the half year ended December 31, 2009 (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 sale of cement. The company is a subsidiary of Three Stars Cement (Pvt) Ltd.

1.2 The company has accumulated loss of Rs. 2,366.38 million and its current liabilities exceed its current assets by Rs. 1,070.19 million as at December 31, 2009. In spite of the adverse current ratio and large accumulated loss, the company has continued financial support from its sponsoring directors as they are planning to inject further working capital in the company. In October 2009, due to poor economic conditions, low prices of cement and financial crunch, management has decided the temporarily shutdown of the operations of the company. However, subsequent to the balance sheet date, with the increase in cement prices and rise in demand of cement, the operations of the company have been resumed after arranging necessary funds by the management.

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 condensed financial information 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 condensed interim financial information 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 245 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 condensed interim financial statements are the same as those applied in the preparation of the preceding annual published accounts.

3.1 Statement of Comprehensive Income

IAS-1 (Revised), 'Presentation of financial statements' which become applicable from the financial periods beginning on or after January 01, 2009. The application of this standard has resulted in certain increased disclosures including the statement of other comprehensive income which has been reflected in these company's condensed interim financial statement.

3.2 Estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2009.

4. LOAN FROM BANKING COMPANIES

The Bank of Punjab Limited
- Demand finance facility
- Bridge finance facility

Note	December 2009	June 2009
	(Rupees in thousand)	
	750,000	750,000
	270,000	270,000
4.1	<u>1,020,000</u>	<u>1,020,000</u>

4.1 On account of various factors, the Company and the Bank of Punjab are in negotiation viz-a-viz the aforesaid loans. The consequent results on finalization of these negotiations shall be reflected in the subsequent financial statements. The management of the company is confident that negotiations will be successful and will be able to get some reasonable grace period in repayments of these outstanding dues so current portion of the loans has not been incorporated in these interim condensed financial statements.

5. OTHER LOANS

Economic Affairs Division, Government of Pakistan (EAD)
Ex-Sponsors' Loan
Holding Company
Provident Fund Trust
Peace agreement arrears

	35,232	35,732
5.1	250,000	250,000
	53,675	53,675
5.2	58,562	53,946
	35,250	37,669
	<u>432,719</u>	<u>431,022</u>
Less: Current maturity	50,103	46,607
	<u>382,616</u>	<u>384,415</u>

5.1 This represents loan received from Ex-management Mr. A. Rafique Khan and Mr. Tousif Peracha as subordinated to Bank of Punjab loan facility. It is interest free, unsecured and is repayable after repayment of loan of Bank of Punjab.

5.2 The Securities & Exchange Commission of Pakistan (SECP) had passed an order on August 13, 2009 that the company should provide mark-up on old dues till June 30, 2008 and an overdue current provident fund contributions till September 30, 2009 and repay all the principal portion of old dues and overdue current provident fund contributions along with mark-up there on in installments of Rs. 0.5 million per month from October 2009. The markup accruals has been made in the books of accounts and interim financial information in accordance with the SECP order. Due to closure of operations, the company was unable to pay current and old dues of provident fund aggregating Rs. 14.974 million.

6. CONTINGENCIES AND COMMITMENTS

There has been no significant change in contingencies and commitments since the date of preceding published annual financial statements.



Condensed Interim Notes to the Accounts

for the half year ended December 31, 2009 (un-audited)

	December 2009	June 2009
	(Rupees in thousand)	
7. OPERATING FIXED ASSETS		
Opening fixed assets at WDV	2,313,958	2,382,119
Additions	-	19,040
(Deletions)	-	(3,629)
	2,313,958	2,397,530
Less: depreciation for the period		
For the period	40,099	84,290
On disposal	-	(718)
	40,099	83,572
	2,273,859	2,313,958
8. CAPITAL WORK IN PROGRESS		
Advance for land	8.1	190,681
	190,681	190,681

8.1 Due to financial crunch it has been mutually agreed between the parties that balance payment and transfer of title of land is extended upto June 30, 2011.

9. LOAN AND ADVANCES
These include amount Rs. 250 million (June 30, 2009: Rs. 250 million) receivable from Gharibwal Cement Limited (GCL), the past associated company.

	Second Quarter Ended		Half Year Ended	
	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
	(Rupees in Thousand)			
10. COST OF SALES				
Raw materials consumed	12,333	17,909	21,877	35,447
Salaries, wages and benefits	29,334	30,218	73,604	56,953
Fuel, gas and electricity	46,236	160,558	193,747	360,880
Stores and spares	873	10,323	6,659	12,309
Rent, rates and taxes	3	173	17	298
Vehicle running and maintenance	1,186	5,429	4,991	8,280
Packing material	5,617	23,234	23,390	44,698
Depreciation	18,920	18,891	37,841	39,612
Others	2,417	8,042	8,808	14,291
	116,919	274,777	370,934	572,768
Adjustment of work in process	1,159	(7,920)	(11,118)	(8,444)
Cost of goods manufactured	118,078	266,857	359,816	564,324
Adjustment of finished goods	1,572	(11,400)	25	2,823
	119,650	255,457	359,841	567,147

11. Administration and General expenses includes deferred cost amortized amounting to Rs. Nil (2008:Rs.19.99 million).

	Half year ended	
	December 2009	December 2008
	(Rupees in thousand)	
12. TRANSACTIONS WITH RELATED PARTIES		
Three Stars Hosiery Mill (Pvt) Ltd Expenses paid on behalf of associated company	-	36
Active Apparels International (Pvt) Limited Expenses paid on behalf of associated company	-	6
The Forwarder (Pvt) Ltd. (Associated company due to common directorship) Funds received back	3,400	-

13. CORRESPONDING FIGURES
Corresponding figures, wherever necessary, have been rearranged. However, there was no material reclassifications to report.

Figures have been rounded off to the nearest thousand rupees.

14. DATE OF AUTHORISATION
These condensed interim financial information were authorised for issue on November 13, 2010 by the Board of Directors of the company.

MANSOOR RASHEED
Chief Executive

SAUD RASHEED
Director