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COMPANY INFORMATION

BOARD OF DIRECTORS	Muhammad Khubaib Farrukh V. Junaidy Syed Moonis Abdullah Alvi Syed Muhammad Ali Khan Khursheed Anwer Jamal Ather Naqi Azizul Haque Javed Mahmood Khalid S. Tirmizey	(Chairman) (Chief Executive) (Director) (Director) (Director) (Director) (Director) (Nominee Director of Creditors) (Nominee Director of Creditors)
COMPANY SECRETARY	Syed Moonis Abdullah Alvi	
AUDIT COMMITTEE	Khalid S. Tirmizey Muhammad Khubaib Azizul Haque	(Chairman) (Member) (Member)
CHIEF FINANCIAL OFFICER	Khursheed Anwer Jamal	
MANAGEMENT	Tariq Muhammad Khan Zafar Abdullah Chaudhry M. Saeed S.N. Jaffri	(Director Treasury & Commercial) (Chief Compliance Officer) (Resident Director) (GM Marketing & Admin.)
REGISTERED OFFICE	Dewan Centre 3-A Lalazar Beach Hotel Road Karachi	
FACTORY	Kamilpur Near Hattar Dist. Haripur N.W.F.P.	
AUDITORS	Ford Rhodes Sidat Hyder & Co. Chartered Accountants Rafaqat Babar & Co. Chartered Accountants	
LEGAL ADVISORS	Sardar M. Ajaz Khan (Advocate) Shareef & Co. (Advocates)	
Website	www.dewangroup.com.pk/sdcl.htm	

DIRECTORS' REVIEW

The directors are pleased to place before you the un-audited financial results of the company for the first quarter ended September 30, 2005.

Overview of Cement Industry

During the quarter ended September 30, 2005, rising trend of cement consumption has continued. The local cement consumption has grown by 11% over same period prior year. Further the demand for export to Afghanistan and the Middle East was also on the rise. In view of steep rise in demand the industry is witnessing expansion of current capacities thus due to plant shutdowns in most of the companies and capacity enhancements, the total export demand could not be met and therefore exports were 3% below last year despatches to the export market. The cement industry has for the first time in the last ten years achieved 92% capacity utilization.

Production

The company produced 209,238 tons of clinker and 213,457 tons of cement during the period under review, which is 121% and 106% more respectively from the corresponding period.

	Upto September 2005 <u>(in tons)</u>	Upto September 2004 <u>(in tons)</u>	Variance <u>(% age)</u>
* Clinker	209,238	94,479	121%
* Cement	213,457	103,627	106%

These higher production figures are a result of Line-II coming into production, and a higher output of Line-I due to smoother operations.

Despatches

Sales volume of the Company increased by approximately 106,786 tons during the first quarter of the current year as compared to the same period last year. Domestic sales, up by 96% from the corresponding period last year, increased to 201,663 tons.

	Upto September 2005 <u>(in tons)</u>	Upto September 2004 <u>(in tons)</u>	Variance <u>(% age)</u>
* Local Sales	201,663	102,797	96%
* Export Sales	<u>8,000</u>	<u>80</u>	9900%
	<u>209,663</u>	<u>102,877</u>	104%

Operating Performance

You will be pleased to know that practically the total production of both lines has been sold within the same quarter registering a 104% increase in sales, over corresponding period. The total quantity sold during the quarter is 209,663 tons in comparison to 102,877 tons same quarter last year.

Your company has entered the export market, as well. Of the total sales a quantity of 8,000 tons has been exported to Afghanistan, where due to its better quality, it has been well accepted.

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

	Upto September 2005 (Rs. In million)	Upto September 2004 (Rs. In million)	Variance (% age)
Net sales	644	286	125%
Cost of goods sold	<u>527</u>	<u>270</u>	95%
Gross profit	117	16	631%
Expenses & taxes	<u>(102)</u>	<u>(46)</u>	122%
Net profit	<u>15</u>	<u>(30)</u>	150%

Future Outlook

The healthy growth trend in cement consumption in local market is expected to continue due to implementation of the large infra structure projects. The country's major export market, Afghanistan is also expected to expand as peace starts setting in and rehabilitation work gains momentum. High despatches to export markets are anticipated as the under implementation BMR and capacity enhancement projects of the cement industry come in production, increasing the availability of product to fill the unsatisfied demand coming from export market.

The cement industry has to perform and provide full support for the reconstruction and rehabilitation process in areas of Azad Kashmir and NWFP which are badly effected by the earhtquake. The reconstruction process would require lot of cement and other material for which your company is fully geared up to contribute its share.

Financial Obligations

By the grace of Al-mighty Allah, your company has met all the financial obligations matured during the period under review.

Acknowledgement

The management of the Company would like to thank all the financial institutions, consultants, individuals and staff members who have been associated with the company for their continued support and cooperation.

LO-MY LORD IS INDEED HEARER OF PRAYER (ALQURAN)

for and on behalf of the Board of Directors

Karachi: October 29, 2005

Farrukh V. Junaidy
Chief Executive

BALANCE SHEET
AS AT SEPTEMBER 30, 2005

	(Un-audited)	(Audited)
	Sep. 30	June 30
	2005	2005
	Rs.'000'	Rs.'000'
ASSETS		
NON CURRENT ASSETS		
Fixed assets		
- Property, plant and equipment	6,695,771	6,705,822
- Intangible assets	3,503	3,503
	6,699,274	6,709,325
CURRENT ASSETS		
Stores and spares	211,465	193,862
Stock in Trade	63,934	35,539
Trade debts	33,354	70,387
Due from related parties	5,471	6,604
Loans and advances	118,715	103,365
Trade deposits and short-term prepayments	85,723	22,561
Other receivables	7,554	7,914
Cash and bank balances	55,399	87,491
	581,615	527,723
TOTAL ASSETS	<u>7,280,889</u>	<u>7,237,048</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized capital		
300,000,000 ordinary shares of		
Rs.10/- each	<u>3,000,000</u>	<u>3,000,000</u>
Issued, subscribed and paid-up capital	1,850,000	1,850,000
Accumulated loss	(179,940)	(199,279)
	1,670,060	1,650,721
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax	453,859	456,652
NON-CURRENT LIABILITIES		
Subordinated loans	-	500,000
Long-term financing	1,116,768	622,867
Redeemable capital	2,433,236	2,634,720
Long-term deposits	73,104	73,124
Deferred taxation	133,404	127,402
	3,756,512	3,958,113
CURRENT LIABILITIES		
Trade and other payables	520,378	549,066
Mark-up payable	80,012	108,307
Due to an associated company	367,468	239,079
Current portion of redeemable capital	422,140	267,870
Provision for taxation	10,460	7,240
	1,400,458	1,171,562
CONTINGENCIES AND COMMITMENTS	-	-
TOTAL EQUITY AND LIABILITIES	<u>7,280,889</u>	<u>7,237,048</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive

Khurshheed Anwer Jamal
CFO/Director

**PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
(UN-AUDITED)**

	Quarter Ended	
	September 30 2005	September 30 2004
	(Rs. '000')	(Rs. '000')
TURNOVER - NET	643,701	285,547
COST OF SALES	526,802	269,733
GROSS PROFIT/(LOSS)	116,899	15,814
Distribution cost	2,339	2,081
Administrative expenses	7,313	8,630
Other operating expenses	2,534	4,197
	12,186	14,908
OPERATING PROFIT/(LOSS)	104,713	906
Finance cost	78,946	29,696
PROFIT/(LOSS) BEFORE TAXATION	25,767	(28,790)
Taxation	10,725	1,427
NET PROFIT/(LOSS) AFTER TAXATION	15,042	(30,217)
BASIC PROFIT/ (LOSS) PER SHARE (Rs./Share)	0.08	(0.16)

The annexed notes from 1 to 11 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive

Khurshheed Anwer Jamal
CFO/Director

**CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
(UN-AUDITED)**

	Sep. 30 2005	Sep. 30 2004
	Rs.'000'	Rs.'000'
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	53,182	5,445
Financial charges paid	(103,233)	(193)
Income tax paid	(1,774)	(956)
	(51,825)	4,296
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(51,314)	(23,180)
	(51,314)	(23,180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans	493,900	179,509
Redeemable capital	(51,222)	(171,183)
Deposits from dealers and retention money	(20)	61
Subordinated loan	(500,000)	-
Receipt from / (payments to) associated companies	128,389	-
	71,047	8,387
Net cash generated from / (used in) financing activities	71,047	8,387
Net increase/ (decrease) in cash and cash equivalents	(32,092)	(10,497)
Cash and cash equivalents at the beginning of the period	87,491	37,614
	55,399	27,117
Cash and cash equivalents at the end of the period	55,399	27,117

The annexed notes from 1 to 11 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive

Khurshed Anwer Jamal
CFO/Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
(UN-AUDITED)**

	Issued subscribed & paid up capital	Accumulated Profit/(Loss)	Total
	Rupees '000'		
Balance as at July 01, 2004	1,850,000	(118,323)	1,731,677
Profit / (Loss) for the period after taxation	-	(97,937)	(97,937)
Incremental depreciation due to revaluation of fixed assets	-	16,981	16,981
Balance as at June 30, 2005	1,850,000	(199,279)	1,650,721
Profit / (Loss) for the period after taxation	-	15,042	15,042
Incremental depreciation due to revaluation of fixed assets	-	4,297	4,297
Balance as at September 30, 2005	1,850,000	(179,940)	1,670,060

The annexed notes from 1 to 11 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive

Khursheed Anwer Jamal
CFO/Director

**NOTES TO THE ACCOUNTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

1. Corporate Information

1.1 The company was incorporated in Pakistan in March 1994 as a public limited company for the establishment and operation of a cement plant at Kamilpur, Near Hattar, Dist. Haripur, N.W.F.P. The company was listed on the Karachi and Islamabad Stock Exchanges in March 1997. The principal activity of the company is manufacturing and selling of cement. The Company started commercial production in January 2004. The registered office of the company is situated at Dewan Centre, 3-A Lalazar, Beach Road, Karachi.

1.2 The name of the company has been changed from Saadi Cement Limited to Dewan Hattar Cement Limited and resolution to such effect has been passed in the Annual General Meeting (AGM) of the company held on December 31, 2004. Such change has been approved by the Registrar of Companies on February 25, 2005.

2. Basis of Preparation of the Financial Statements

These financial statements are un-audited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984. These have been prepared in accordance with the requirements of International Accounting Standard -34 'Interim Financial Reporting' as applicable in Pakistan.

3. Accounting Policies

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2005.

	<u>Sep. 30, 2005</u>	<u>Sep. 30, 2004</u>
4. Operating Property, Plant and Equipment	Transfer for CWIP/ Additions	
	----- (Rs.'000') -----	
Plant and machinery	1,900,000	-
	 September 30, 2005	
	June 30, 2005	
	----- (Rs.'000') -----	
5. Contingencies and Commitments		
Capital commitments outstanding	2,500	767
Letters of credit issued by commercial banks	22,000	-
	 September 30, 2005	
	September 30, 2004	
	----- (Metric Tons) -----	
6. Capacity-Clinker		
Installed capacity for the year	1,080,000	540,000
Actual production for the period	209,238	94,479
	 September 30, 2005	
	September 30, 2004	
7. Earning/ (Loss) Per Share-Basic and Diluted		
Net Profit/(Loss) for the period after tax (Rupees in '000')	<u>15,042</u>	<u>(30,217)</u>
Weighted average ordinary shares in issue during the period	<u>185,000,000</u>	<u>185,000,000</u>
Earning/(Loss) per share-Basic and diluted	<u>0.08</u>	<u>(0.16)</u>

8. Related Party Transactions

Related parties comprises related group companies, local associated companies, directors and executives. The company in the normal course of business carries out transactions with various related parties.

		September 30, 2005	June 30, 2005
		----- (Rs.'000') -----	
9. Relationship	Nature of Transactions		
Associated Company	Shared Expenses	2,461	30,425
	Material Transferred	7,051	38,918
	Material received	6,451	44,373
	Finance cost on current account	4,000	14,169
	Funds received	128,389	184,249
Employee benefit fund other related parties	Contribution to staff retirement fund	1,799	6,621
	Fund received	6,119	30,219
	Loan received	-	890,000
	Interest accrued	4,008	12,599
	Purchases	6,633	40,197
	Sales	444	26,210

10. Date of Authorization for Issue

The Board of Directors of the Company has authorized these financial statements for issue on October 29, 2005

11. General

- Figures have been re-arranged and regrouped wherever necessary to facilitate comparison.
- Figures have been rounded off to the nearest thousand rupees.

Farrukh V. Junaidy
Chief Executive

Khurshheed Anwer Jamal
CFO/Director