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COMPANY INFORMATION

| | | |
|--------------------------------|--|--|
| BOARD OF DIRECTORS | Dewan Muhammad Yousuf Farooqi Dewan Abdul Baqi Farooqui Farrukh Viqaruddin Junaidy Syed Muhammad Ali Khan Aziz-ul-Haque Syed Moonis Abdullah Alvi Khursheed Anwer Jamal Khalid S. Tirmizey Masood Karim Shaikh | Chairman/Chief Executive Director Director Director Director Director Director Nominee Director of Creditors Nominee Director of Creditors |
| COMPANY SECRETARY | Khursheed Anwer Jamal | |
| AUDIT COMMITTEE MEMBERS | Khalid S. Tirmizey Syed Muhammad Ali Khan Aziz-ul-Haque Khursheed Anwer Jamal | Chairman Member Member Member |
| CHIEF FINANCIAL OFFICER | Shahab Mahmud Ansari | |
| REGISTERED ADDRESS | Dewan Centre, 3-A, Lalazar, Beach Hotel Road, Karachi. | |
| HEAD OFFICE | Block-A, 7th Floor, Finance & Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. | |
| FACTORY | Kamilpur, Near Hattar, Dist. Haripur, N.W.F.P. | |
| AUDITORS | Rafaqat Babar & Co. Chartered Accountants | |
| LEGAL ADVISOR | Sardar M. Ajaz Khan (Advocate) | |
| WEBSITE | www.dewangroup.com.pk | |



DIRECTORS' REVIEW

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

The Directors are pleased to present the un-audited financial results for the Half year ended December 31, 2006.

Production

The Company produced / purchased 450,241 tons of clinker which is 2.82% higher and produced 436,065 tons of cement during the period under review, which is 2.96% less in comparison to corresponding period, last year, as detailed below:

| | Up to December 2006 (In tons) | Up to December 2005 (In tons) | Variance (% Age) |
|---------|-------------------------------------|-------------------------------------|---------------------|
| Clinker | 450,241 | 437,886 | 2.82% |
| Cement | 436,065 | 449,397 | (2.96%) |

Dispatches

Sales quantity of the Company has increased by 1,189 tons during the first half of the current year as compared to the same period last year.

| | Up to December 2006 (In tons) | Up to December 2005 (In tons) | Variance (% Age) |
|--------------|-------------------------------------|-------------------------------------|---------------------|
| Local Sales | 445,669 | 433,400 | 2.83 % |
| Export Sales | 1,600 | 12,680 | (87.38 %) |
| Total | 447,269 | 446,080 | 0.27 % |

Operating Performance

In spite of a modest increase in quantity by 0.27% sales revenue declined by 16.29% thereby making total sales revenue for the period amounting to Rs.1,146 million compared to Rs.1,369 million during corresponding period last year. Despite reduction in cost of goods sold and in expenses and taxes, the Company has incurred a loss of Rs.10 million in contrast to a profit of Rs.27 million in corresponding period last year.

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

| | Upto December 2006 (Rs. In million) | Upto December 2005 (Rs. In million) | Variance (% age) |
|-------------------|---|---|---------------------|
| Net Sales | 1,146 | 1,369 | (16.29 %) |
| Cost of good sold | (1,085) | (1,092) | (0.64 %) |
| Gross Profit | 61 | 277 | (77.98 %) |
| Expenses & Taxes | (71) | (250) | (71.60 %) |
| Net Profit/(Loss) | (10) | 27 | (137.00%) |



Going Concern Assumption

Considering the current scenario in the Cement Industry, these accounts have been prepared under the going concern assumption where the prices are rising up due to demand inspite of the fact that there has been an increase in capacity of most of the Plants.

Financial Obligations

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

Future Outlook

The high growth in local consumption is expected to continue, because, at the demand end, major mega infrastructure projects have yet to come in full swing. Whereas, at the supply end, installed base has increased, which is further increasing, with more under-implementation capacities coming into operation.

These additional capacities are providing the required impetus to increase export sales which have already increased by 36.81% in the period under review over same period prior year. Export sales are, therefore, expected to increase at a still higher pace.

Acknowledgement

The Board of Directors places on record its gratitude to its valued customers, Federal and Provincial Governments, Financial Institutions, 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 Muhammad (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 & Chief Executive**

Karachi: February 26, 2007



REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan Hattar Cement Limited as at 31, December 2006, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the "financial statements"), for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our review report, we draw attention to note 1.2 to the financial statements, which states that the accumulated loss of the Company amounts to Rs. 97.981 million and its current liabilities exceed its current assets by Rs. 759.981 million as of the balance sheet date. These matters may cast a doubt about the Company's ability to continue as a going-concern. These financial statements have been prepared on a going concern basis, the validity of which is largely dependent on the outcome of mitigating factors as described in the said note.

Dated: 26 February, 2007
Karachi.

RAFAQAT BABAR & CO.
Chartered Accountants

**BALANCE SHEET
AS AT DECEMBER 31, 2006**

| | Note | (Un-audited) Dec 31, 2006 Rs. '000' | (Audited) June 30, 2006 Rs. '000' |
|--|------|--|--|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 4 | 6,633,922 | 6,644,331 |
| - Intangible assets | | 14,805 | 13,746 |
| | | 6,648,727 | 6,658,077 |
| CURRENT ASSETS | | | |
| Stores and spare parts | | 200,407 | 177,921 |
| Stock-in-trade | | 110,140 | 53,178 |
| Trade debts | | 159,580 | 216,768 |
| Due from related parties | | 12,743 | 8,682 |
| Loans and advances | | 110,560 | 123,955 |
| Trade deposits and short-term prepayments | | 80,570 | 64,540 |
| Other receivables | | 582 | 582 |
| Cash and bank balances | | 102,252 | 157,368 |
| | | 776,834 | 802,994 |
| TOTAL ASSETS | | 7,425,561 | 7,461,071 |
| EQUITY AND LIABILITIES | | | |
| AUTHORISED SHARE CAPITAL | | | |
| | | 3,000,000 | 3,000,000 |
| SHARE CAPITAL AND RESERVES | | | |
| Issued, subscribed and paid-up capital | | 1,850,000 | 1,850,000 |
| Accumulated loss | | (97,981) | (95,521) |
| | | 1,752,019 | 1,754,479 |
| SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax | | 440,021 | 445,339 |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing | | 1,216,288 | 882,942 |
| Redeemable capital - secured | 5 | 2,092,897 | 2,274,817 |
| Liability against assets subject to finance lease | | 5,398 | 5,670 |
| Long-term payables | | 175,534 | 312,172 |
| Deferred taxation | | 206,589 | 205,706 |
| | | 3,696,706 | 3,681,307 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 619,034 | 627,832 |
| Mark-up payable | | 181,229 | 171,119 |
| Due to an associated company | | 231,920 | 263,104 |
| Current portion of long-term borrowings | 5 | 498,895 | 502,634 |
| Provision for taxation | | 5,737 | 15,257 |
| | | 1,536,815 | 1,579,946 |
| CONTINGENCIES AND COMMITMENTS | 6 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 7,425,561 | 7,461,071 |

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

Dewan M. Yousuf Farooqui
Chairman/Chief Executive

Khursheed Anwer Jamal
Director



**PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2006
(UN-AUDITED)**

| | Half-year Ended | | Quarter Ended | |
|---|------------------------|-----------------|------------------------|-----------------|
| | Dec 31, 2006 | Dec 31, 2005 | Dec 31, 2006 | Dec 31, 2005 |
| | -----'(Rs. '000)'----- | | -----'(Rs. '000)'----- | |
| TURNOVER - NET | 1,146,096 | 1,369,263 | 434,797 | 725,562 |
| COST OF SALES | (1,084,989) | (1,092,096) | (495,027) | (565,294) |
| GROSS PROFIT | 61,107 | 277,167 | (60,230) | 160,268 |
| Distribution cost | (4,816) | (3,986) | (2,738) | (1,647) |
| Administrative expenses | (20,956) | (16,480) | (11,177) | (9,167) |
| Other operating expenses | (672) | (17,625) | 709 | (15,091) |
| Other operating income | 148,646 | 1,071 | 148,276 | 1,071 |
| OPERATING PROFIT | 183,309 | 240,147 | 74,840 | 135,434 |
| Finance cost | (184,477) | (196,620) | (96,155) | (117,674) |
| PROFIT/(LOSS) BEFORE TAXATION | (1,168) | 43,527 | (21,315) | 17,760 |
| Taxation | (9,474) | (16,237) | (344) | (5,512) |
| NET PROFIT/(LOSS) AFTER TAXATION | (10,642) | 27,290 | (21,659) | 12,248 |
| BASIC AND DILUTED EARNING/(LOSS) | | | | |
| PER SHARE (Rs./Share) | (0.06) | 0.15 | (0.12) | 0.07 |

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

Dewan M. Yousuf Farooqi
Chairman/Chief Executive

Khursheed Anwer Jamal
Director



**CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2006
(UN-AUDITED)**

| | Dec 31, 2006 Rs.'000' | Dec 31, 2005 Rs.'000' |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash generated from operations | 276,413 | 199,825 |
| Financial charges paid | (174,367) | (84,946) |
| Income tax paid | (18,111) | (5,999) |
| Net Cash generated from operating activities | 83,935 | 108,880 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (109,899) | (107,228) |
| Net Cash used in investing activities | (109,899) | (107,228) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long-term loans | (50,000) | 351,475 |
| Redeemable capital | (190,343) | (51,222) |
| Deposits from dealers and retention money | (136,638) | 100,427 |
| Subordinated Loan | - | (500,000) |
| Liability agaisnt asset subject to finance lease | (272) | - |
| Receipt from related parties - net | 348,101 | 98,287 |
| Net cash used in financing activities | (29,152) | (1,033) |
| Net (decrease)/increase in cash and cash equivalents | (55,116) | 619 |
| Cash and cash equivalents at the beginning of the period | 157,368 | 87,491 |
| Cash and cash equivalents at the end of the period | 102,252 | 88,110 |

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

Dewan M. Yousuf Farooqui
Chairman/Chief Executive

Khurshheed Anwer Jamal
Director



**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2006
(UN-AUDITED)**

| | Issued subscribed & paid up capital | Accumulated Profit/(Loss) | Total |
|---|---|------------------------------|------------------|
| | Rupees '000' | | |
| Balance as at July 01, 2005* | 1,850,000 | (199,279) | 1,650,721 |
| Profit after taxation for the period July 01, 2005 to Dec 31, 2005 | - | 27,290 | 27,290 |
| Incremental depreciation due to revaluation of fixed assets | - | 9,146 | 9,146 |
| Balance as at December 31, 2005 | 1,850,000 | (162,843) | 1,687,157 |
| Balance as at July 01, 2006 | 1,850,000 | (95,521) | 1,754,479 |
| Loss after taxation for the period July 01 2006 to December 31, 2006 | - | (10,642) | (10,642) |
| Incremental depreciation due to revaluation of fixed assets | - | 8,182 | 8,182 |
| Balance as at December 31, 2006 | 1,850,000 | (97,981) | 1,752,019 |

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

Dewan M. Yousuf Farooqui
Chairman/Chief Executive

Khursheed Anwer Jamal
Director



**NOTES TO THE ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2006
(UN-AUDITED)**

1. Status and Nature of Business

1.1 Corporate Information

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 Hotel Road, Karachi.

1.2 Going Concern Assumption

As of the balance sheet date, the accumulated losses of the company amount to Rs. 97.981 million (June 30, 2006: Rs. 95.521 million) and its current liabilities exceed its current assets by Rs. 759.981 million (June 30, 2006 Rs. 776.952 million).

Followed by a continued increase in capacity in the cement industry in the country, the demand of cement has also improved during the period. During the period under review, the average price of cement had reduced, which has now been corrected. The price of cement during the coming years is expected to remain better. Clinker production during the six months period to December 2006 was maintained. The company continues to enjoy support from its Bankers. Further, the new sponsors have advanced additional loans to the company and providing continuous financial support Accordingly, the company has prepared these financial statements on the basis of going concern assumption.

2. Basis of Preparation of the Financial Statements

These financial statements are un-audited but subject to limited scope review by auditors 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, 2006.

4. Property, Plant and Equipment

Fixed capital expenditure during the period amounted to Rs. 109.899 million (30 June 2006: Rs. 192.091 million). Book value of fixed assets disposed off during the period is Nil (30 June 2006: Rs. 97 thousand). Plant and machinery capitalized during the period from capital-work-in-progress is Nil (30 June 2006: Rs. 2,172 million).

5. Redeemable Capital

The installment due during the period amounting to Rs. 190.343 million was paid.



| | Dec. 31, 2006 | June 30, 2006 |
|--|------------------|------------------|
| (Rs. '000') | | |
| 6. CONTINGENCIES AND COMMITMENTS | | |
| Letters of credit issued by commercial banks | 179,742 | 110,279 |

| | Dec. 31, 2006 | Dec. 31, 2005 |
|--------------------------------------|------------------|------------------|
| (Rs. '000') | | |
| 7. Capacity-Clinker | | |
| Installed capacity for the half year | 540,000 | 540,000 |
| Actual production for half year | 431,762 | 437,886 |
| Purchased clinker | 18,479 | - |

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.

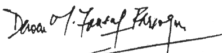
| | | Dec. 31, 2006 | Dec. 31, 2005 |
|--|---------------------------------------|------------------|------------------|
| | | (Rs. '000') | |
| 9. Relationship | Nature of Transactions | | |
| Associated Company | Shared expenses | 47,387 | 3,493 |
| | Finance cost on current account | 13,892 | 20,164 |
| | Funds received-Net | 148,344 | 119,939 |
| | Sales | 62,945 | - |
| Employee benefit fund other related parties | Contribution to staff retirement fund | 4,811 | 3,706 |
| | Fund received | 300 | - |
| | Loan repayment | - | 182,400 |
| | Interest accrued | - | 11,862 |
| | Purchases | 2,200 | 7,338 |
| | Sales | 143 | 1,206 |
| | Shared expenses | 1,992 | - |

10. Date of Authorization for Issue

The Board of Directors of the Company has authorized these financial statements for issue on 26, February 2007.

11. General

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


Dewan M. Yousuf Farooqui
 Chairman/Chief Executive


Khurshheed Anwer Jamal
 Director