

# Quarterly Financial Statements (Un-audited)

For the period ended September 30, 2005



PIONEER  
CEMENT LTD.



## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Chairman**

Mr. Manzoor Hayat Noon

#### **Managing Director & CEO**

Mr. Javed Ali Khan

#### **Non Executive Director**

Mr. K. Iqbal Talib

Mr. Adnan Hayat Noon

Mr. Salman Hayat Noon

Mr. Wajahat A. Baqai (NBP)

Mr. Rafique Dawood (FDIB)

#### **Independent Non Executive Director**

Mr. Erling Frandsen (FLS)

Mr. Cevdet DAL

### **AUDIT COMMITTEE**

#### **Chairman**

Mr. Salman Hayat Noon

#### **Members**

Mr. Adnan Hayat Noon

Mr. Wajahat A. Baqai (NBP)

Mr. Rafique Dawood (FDIB)

### **CHIEF FINANCIAL OFFICER**

Mr. Badruddin Fakhri

### **COMPANY SECRETARY**

Syed Anwar Ali

### **INTERNAL AUDITOR**

Mr. Muhammad Saleem

### **SENIOR MANAGEMENT**

Mr. Javed Ali Khan

Managing Director & CEO

Mr. Usman Masud Khan

Executive Director

Mr. Badruddin Fakhri

Executive Director (F&A)

Mr. Javed Elahi

Executive Director (Operations)

Mr. Nurul Ibad

General Manager (Lahore)

Mr. Javed Iqbal

General Manager Marketing

Mr. Jawaid Alam

General Manager (SCM)

Mr. Khalid Mehmood

General Manager (Production)

Col. (Rtd.) Abdul Khaliq

General Manager (Admin)

### **STATUTORY AUDITORS**

Ford Rhodes Sidat Hyder & Co.

### **COST AUDITORS**

Siddiqui & Co.

### **LEGAL ADVISORS**

Hassan & Hassan

Sayeed & Sayeed

### **BANKS**

The Bank of Punjab

National Bank of Pakistan

Prime Commercial Bank Limited

Askari Commercial Bank Limited

Bank Al-Habib Limited

Habib Bank Limited

United Bank Limited

**HEAD OFFICE**

7th Floor, Lakson Square Building No.3,  
Sarwar Shaheed Road,  
Karachi, Pakistan  
Telephone (021) 5685052-55  
Fax (021) 5685051  
Email: [ho@pioneeracement.com](mailto:ho@pioneeracement.com)

**REGISTERED OFFICE / MARKETING OFFICE**

1st Floor, AlFalsh Building,  
Shahrah-e-Quaid-e-Azam,  
Lahore, Pakistan  
Telephone (042) 6301914-15  
Fax (042) 6301912  
Email: [ro@pioneeracement.com](mailto:ro@pioneeracement.com)

**SHARES DEPARTMENT**

66, Garden Block, New Garden Town,  
Lahore, Pakistan  
Telephone (042) 5831462-63  
Email: [shares@pioneeracement.com](mailto:shares@pioneeracement.com)

**FACTORY**

Chenki, District Khushab, Punjab  
Telephone (0454) 720832-3  
Fax (0454) 720832  
Email: [factory@pioneeracement.com](mailto:factory@pioneeracement.com)

**SALES OFFICES**

- Bungalow No. 9, Civil Lines,  
Near Circuit House,  
22, Khalid Bin Waleed Road,  
Sargodha.  
Telephone (0451) 722222
- House No.274, Block-H,  
Gulistan Colony No.1,  
Faisalabad.  
Telephone (041) 761853

**WEBSITE**

[www.pioneeracement.com](http://www.pioneeracement.com)

## DIRECTORS' REPORT

It gives me pleasure to present directors' report to the shareholders for the 1<sup>st</sup> Quarter ended on 30<sup>th</sup> September, 2005.

By the grace of Almighty Allah your Company was able to earn highest ever quarterly profit during the 1<sup>st</sup> quarter ended 30<sup>th</sup> September, 2005. Figures of profit are given as under:

	<b>1<sup>st</sup> Quarter 2005-06 Rs. / Million</b>	<b>1<sup>st</sup> Quarter 2004-05 Rs. / Million</b>	<b>% Increase</b>
Gross Profit	309	139	156%
Profit before tax	253	88	187%
Profit after tax	201	110	83%

Quarterly production increased by 20% to 204,455 tons, whereas export of 47,820 tons to Afghanistan and Iraq, registered a rise of 68% over the exports made during the same quarter of last year.

The expansion project is entering into the final stage of commissioning and we shall Insha Allah soon be starting cold runs of different sections of the plant.

We are grateful to our bankers, contractors and suppliers for their continued cooperation.

We also acknowledge the dedication of our employees who have been instrumental in bringing a massive turn around in the Company.

**MANZOOR HAYAT NOON**

Chairman

October 17, 2005

# PIONEER CEMENT LIMITED



## BALANCE SHEET AS AT SEPTEMBER 30, 2005 (UN AUDITED)

	Note	September 30, 2005 (Rupees in '000) (Unaudited)	June 30, 2005 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	6,767,757	6,381,731
Long term loans		6,299	6,718
Long term deposits		78,321	36,783
		<u>6,852,377</u>	<u>6,425,232</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		411,268	287,119
Stock-in-trade		34,111	56,825
Trade debts - unsecured, considered good		13,350	18,944
Loans and advances		139,814	61,652
Deposits and prepayments		3,216	1,835
Other receivables		5,600	6,533
Taxation - net		16,636	12,246
Cash and bank balances		24,238	17,529
		<u>648,233</u>	<u>462,683</u>
<b>TOTAL ASSETS</b>		<u><u>7,500,610</u></u>	<u><u>6,887,915</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid-up capital	5	1,547,466	1,547,466
Reserves		<u>282,375</u>	<u>73,643</u>
		<u>1,829,841</u>	<u>1,621,109</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		621,841	629,314
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital		171,403	171,403
Long term loans		1,956,994	1,973,151
Long term musharika finance		50,000	50,000
Liabilities against assets subject to finance lease		396,443	274,644
Long term deposits		5,628	6,647
Deferred liabilities		980,463	975,490
Deferred tax liability		244,028	196,618
		<u>3,804,959</u>	<u>3,647,953</u>
<b>CURRENT LIABILITIES</b>			
Creditors against expansion project		443,647	488,772
Trade and other payables		363,369	289,668
Interest / markup accrued		77,613	75,960
Short term borrowings		270,000	20,000
Current maturity of redeemable capital		14,520	19,600
Current maturities of long term loans		56,405	63,695
Current portion of liabilities against assets subject to finance lease		11,376	13,114
Sales tax payable		7,039	18,730
		<u>800,322</u>	<u>500,767</u>
		<u>1,243,969</u>	<u>989,539</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7,500,610</u></u>	<u><u>6,887,915</u></u>

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

JAVED ALI KHAN  
Chief executive

MANZOOR HAYAT NOON  
Chairman

# PIONEER CEMENT LIMITED



## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN AUDITED)

	Note	September 30, 2005 (Rupees in '000')	September 30, 2004
<b>Gross turnover</b>		993,322	633,874
Excise duty		123,053	102,776
Sales tax		109,223	75,958
Commission		7,194	5,042
		<u>239,470</u>	<u>183,776</u>
<b>Net turnover</b>		753,852	450,098
Cost of sales	7	445,216	311,556
		<u>308,636</u>	<u>138,542</u>
<b>Gross profit</b>			
Distribution cost		20,836	8,932
Administrative expenses		15,926	13,441
		36,762	22,373
Other operating income - net		(32,219)	(103)
		<u>304,093</u>	<u>116,272</u>
Finance cost		37,425	29,371
Other charges		13,368	5,128
		<u>50,793</u>	<u>34,499</u>
<b>Profit before taxation</b>		253,300	81,773
Taxation		52,041	(28,172)
<b>Profit after taxation</b>		<u>201,259</u>	<u>109,945</u>
			(Rupees)
<b>Basic earnings per share</b>		<u>1.30</u>	<u>1.15</u>
<b>Diluted earnings per share</b>		<u>1.26</u>	<u>0.98</u>

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

**JAVED ALI KHAN**  
Chief executive

**MANZOOR HAYAT NOON**  
Chairman

**CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2005  
(UN AUDITED)**
**September 30, 2005      September 30, 2004**  
**(Rupees in '000')**
**CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation	253,300	81,773
Adjustments for non cash and other items:		
Depreciation	77,152	53,292
Un realized loss on fair value of derivative	(30,716)	-
Provision for gratuity and compensated absences	4,100	2,600
Finance cost	37,426	29,372
Loss / (profit) on disposal of fixed assets	-	96
Workers' Profit Participation Fund	13,331	4,304
Exchange loss	-	799
	<u>101,293</u>	<u>90,463</u>
<b>Cash flow before working capital changes</b>	<b>354,593</b>	<b>172,236</b>
<b>Movement in working capital</b>		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(124,149)	(34,293)
Stock-in-trade	22,713	(7,774)
Trade debts	5,594	3,292
Loans and advances	(78,162)	(25,742)
Deposits and prepayments	(1,308)	(721)
Other receivables	934	(1,847)
	<u>(174,378)</u>	<u>(67,085)</u>
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(45,125)	-
Trade and other payables	91,086	68,553
Sales tax payable	(11,691)	1,231
	<u>34,270</u>	<u>69,784</u>
	<u>(140,108)</u>	<u>2,699</u>
<b>Cash generated from operations</b>	<b>214,485</b>	<b>174,935</b>
Finance cost paid	(34,904)	(72,718)
Income tax paid	(7,416)	(1,288)
Gratuity and compensated absences paid	(835)	(1,065)
Dividend paid	(1)	(2)
	<u>(43,156)</u>	<u>(75,073)</u>
Decrease in long term loans	(419)	(41)
Decrease in long term deposits - net	(42,557)	(9,285)
<b>Net cash inflow from operating activities</b>	<b>128,353</b>	<b>90,536</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(479,336)	(98,690)
Proceeds from sale of fixed assets	-	268
<b>Net cash used in investing activities</b>	<b>(479,336)</b>	<b>(98,422)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans	(12,370)	(54,300)
Liabilities against assets subject to finance lease - net of repayments	120,062	48,579
Short term borrowings	250,000	-
<b>Net cash inflow from / (used in) financing activities</b>	<b>357,692</b>	<b>(5,721)</b>
<b>Net increase in cash and bank balances</b>	<b>6,709</b>	<b>(13,607)</b>
<b>Cash and bank balances at the beginning of the year</b>	<b>17,529</b>	<b>37,199</b>
<b>Cash and bank balances at the end of the year</b>	<b>24,238</b>	<b>23,592</b>

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

## PIONEER CEMENT LIMITED



### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN AUDITED)

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve		Total reserves	Total equity
		Share premium	Reserve for issue of bonus shares	Accumulated loss		
Balance as at July 01, 2004	954,371	-	-	(409,128)	(409,128)	545,243
Profit for the period ended September 30, 2004	-	-	-	109,945	109,945	109,945
<b>Balance as at September 30, 2004</b>	<b>954,371</b>	<b>-</b>	<b>-</b>	<b>(299,183)</b>	<b>(299,183)</b>	<b>655,188</b>
Balance as at July 01, 2005	1,547,466	150,682	-	(77,039)	73,643	1,621,109
Proposed issue of bonus shares	-	(77,373)	77,373	-	-	-
Profit for the period ended September 30, 2005	-	-	-	201,259	201,259	201,259
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	7,473	7,473	7,473
<b>Balance as at September 30, 2005</b>	<b>1,547,466</b>	<b>73,309</b>	<b>77,373</b>	<b>131,693</b>	<b>282,375</b>	<b>1,829,841</b>

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

**JAVED ALI KHAN**  
Chief executive

**MANZOOR HAYAT NOON**  
Chairman



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2005  
(UN AUDITED)**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1 The Company was incorporated in Pakistan as a public company limited by shares on February 09, 1986. Its shares are quoted on all stock exchanges in Pakistan. The registered office of the Company is situated at 1st Floor, AlFalah Building, Shahrah-e-Quaid-e-Azam, Lahore. The principal activity of the Company is manufacturing and sale of cement.
- 1.2 At present, the Company is in the process of expanding its cement production capacity at the same location of existing plant and installing a new cement production line. This would increase the production capacity of the Company by 4,300 tons clinker per day.

**2. BASIS OF PREPARATION**

These unaudited financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 (the Ordinance) and have been prepared in accordance with the requirements of the International Accounting Standard 34 " Interim Financial Reporting" as applicable in Pakistan. These financial statements should be read in conjunction with the published financial statements of the Company for the year ended June 30, 2005.

**3. ACCOUNTING POLICIES**

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

**4. PROPERTY, PLANT AND EQUIPMENT**

The following major additions and deletions were made in property, plant and equipment during the period:

	Additions (Rupees in '000)	Deletions (Rupees in '000)
<b>Operating fixed assets</b>		
Plant and machinery	-	16,157
<b>Capital work in progress</b>		
Plant and machinery		
- owned	134,779	-
- leased	121,800	-
	256,579	-
Advance to suppliers	43,603	-
Civil works	168,081	-
Engineering and designing fee	-	-
Unallocated capital expenditure	10,149	-
	221,833	-
	478,412	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2005  
(UN AUDITED)**

**5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

As explained in note 15.2 to the financial statements for the year ended June 30, 2005, on September 21, 2005, NBP has offered the Company's sponsors to purchase 11.590 million ordinary shares of Rs. 10/- each, held by it at a prevailing market price of Rs. 27.80 per share (price quoted at Karachi Stock Exchange on September 20, 2005). The said offer has been accepted by the sponsors of the Company on September 22, 2005 by making a total payment of Rs. 283.977 million with a commitment to pay the balance amount by March 31, 2006. Consequently, the Company has reversed the negative fair value of derivative being the difference in market price as at June 30, 2005 and minimum guaranteed price of Rs. 23/- per share. The resultant effect of Rs. 30.716 million has been taken into other operating income - net.

**6. CONTINGENCIES AND COMMITMENTS**

**6.1** There has been no significant change in the contingencies as given in the financial statements for the year ended June 30, 2005.

**6.2** Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs. 92.865 million ( June 30, 2005: 292.090 million).

**September 30,      September 30,  
2005                      2004  
(Rupees in '000)**

**7. COST OF SALES**

<b>Raw material consumed</b>	31,167	23,306
Packing material consumed	34,946	26,185
Fuel and power	221,856	170,158
Stores and spares consumed	13,724	11,340
Salaries, wages and benefits	29,215	20,619
Travelling and conveyance	2,332	342
Insurance	1,270	1,200
Repairs and maintenance	3,664	2,852
Communication	369	263
Fee and subscription	856	280
Depreciation	75,924	51,989
Other manufacturing expenses	3,601	3,665
	<b>387,757</b>	<b>288,893</b>
<b>Work in process</b>		
Opening	25,053	23,380
Closing	(10,804)	(16,671)
	<b>14,249</b>	<b>6,709</b>
<b>Cost of goods manufactured</b>	<b>433,173</b>	<b>318,908</b>
<b>Finished goods</b>		
Opening	21,193	20,983
Closing	(9,150)	(28,335)
	<b>12,043</b>	<b>(7,352)</b>
	<b>445,216</b>	<b>311,556</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2005  
(UN AUDITED)****8. TRANSACTIONS WITH RELATED PARTIES**

	<b>September 30, 2005</b>	<b>September 30, 2004</b>
	<b>(Rupees in '000)</b>	
Finance cost paid	<u>6,746</u>	<u>341</u>
Contribution to staff provident fund	<u>1,092</u>	<u>1,048</u>

The above transactions are at arm's length using admissible valuation methods.

**9. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on October 17, 2005 by the Board of Directors of the Company.

**10. GENERAL**

**10.1** The Board of Directors in its meeting held on September 28, 2005 proposed issue of bonus shares in the proportion of 5 ordinary shares per 100 ordinary shares held amounting to Rs.77.373 million out of the share premium account under Section 83 (2)(d) of the Ordinance. This appropriation has been placed for approval of the members at the Annual General Meeting to be held on October 31, 2005 and is shown as reserve for issuance of bonus shares under revenue reserves.

**10.2** Rupees have been rounded off to nearest thousands.

**JAVED ALI KHAN**  
Chief executive

**MANZOOR HAYAT NOON**  
Chairman