



PIONEER  
CEMENT LTD.



# **PIONEER CEMENT LIMITED**

**FINANCIAL STATEMENTS FOR THE QUARTER ENDED  
SEPTEMBER 30, 2006**

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## **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. Cevdet DAL

Mr. Etrat Hussain Rizvi

Mr. Saleem Shahzada

### **AUDIT COMMITTEE**

#### **Chairman**

Mr. Rafique Dawood (FDIB)

#### **Members**

Mr. Salman Hayat Noon

Mr. Adnan Hayat Noon

Mr. Etrat Hussain Rizvi

Mr. Wajahat A. Baqai (NBP)

### **CHIEF FINANCIAL OFFICER**

Mr. Badruddin Fakhri

### **COMPANY SECRETARY**

Syed Anwar Ali

**INTERNAL AUDITOR**

Mr. Muhammad Saleem

**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

Bank Islami Pakistan Limited

Hong Kong Shanghai Banking Corporation

Prime Commercial Bank Limited

Askari Commercial Bank Limited

Bank Al-Habib Limited

Habib Bank Limited

**REGISTERED OFFICE**

1st Floor, Al-Falah Building,

Shahrah-e-Quaid-e-Azam,

Lahore, Pakistan

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**WEBSITE**

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

## DIRECTORS' REPORT TO THE MEMBERS

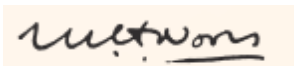
I am pleased to present Quarterly Financial Statements for the period ended September 30, 2006 on behalf of the directors of the Company.

The quarter under review, unfortunately could not sustain the momentum of profitability which the Company was able to achieve during the last three years. The prices of cement, as was informed to you earlier had come under pressure in the last quarter of last financial year when the government announced subsidy on import of cement. The prices continued to fall drastically which completely eroded the profitability of the Company. Owing to foregoing negative price scenario, the Company could only make a negligible profit of Rs.13.294 million as against profit of Rs.201.259 million earned during the same quarter of last year.

The demand of cement continues to show a strong growth and as soon as the price of cement improves the Company will start making good profits with its enhanced capacity of production.

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

We also acknowledge the dedication of our employees for putting up their best to achieve possible results.



MANZOOR HAYAT NOON  
Chairman

**PIONEER CEMENT LIMITED**



**BALANCE SHEET AS AT SEPTEMBER 30, 2006  
(UN AUDITED)**

	Note	September 30, 2006 (Rupees in '000) (Unaudited)	June 30, 2006 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	7,739,099	7,683,391
Long term loans		4,611	5,064
Long term deposits		115,620	98,809
		<u>7,859,330</u>	<u>7,787,264</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		408,492	375,858
Stock-in-trade		115,119	96,757
Assets held for disposal		32,847	32,847
Trade debts - unsecured, considered good		17,667	12,490
Loans and advances		17,154	13,670
Deposits and prepayments		3,000	1,550
Other receivables		1,569	1,756
Taxation - net		7,643	10,899
Cash and bank balances		53,918	71,905
		<u>657,409</u>	<u>617,732</u>
<b>TOTAL ASSETS</b>		<u><u>8,516,739</u></u>	<u><u>8,404,996</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		1,624,839	1,624,839
Reserves		<u>554,996</u>	<u>697,224</u>
		2,179,835	2,322,063
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		597,379	604,342
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		366,148	430,663
Liabilities against assets subject to finance lease		541,481	454,070
Long term musharika finance		50,000	50,000
Long term murabahah financing	5	99,720	-
Long term deposits		5,627	5,627
Long term creditor		27,508	29,008
Deferred liabilities		805,484	862,867
Deferred tax liability		437,300	435,989
Long term loans		1,732,035	1,812,063
		<u>4,065,303</u>	<u>4,080,287</u>
<b>CURRENT LIABILITIES</b>			
Creditors against expansion project		284,153	298,260
Trade and other payables		396,736	368,446
Interest / markup accrued		28,137	42,463
Current maturity of long term financing		95,070	40,740
Current maturities of long term loans		383,272	354,170
Current portion of liabilities against assets subject to finance lease		184,235	133,585
Current portion of deferred mark up		136,836	130,390
Proposed dividend		162,484	-
Sales tax payable		3,299	30,250
		<u>1,390,069</u>	<u>1,100,044</u>
		<u>1,674,222</u>	<u>1,398,304</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>8,516,739</u></u>	<u><u>8,404,996</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, 2006 (UN AUDITED)

	Note	September 30, 2006 (Rupees in '000')	September 30, 2005
<b>Gross turnover</b>		972,899	993,322
Excise duty		138,831	123,053
Sales tax		109,777	109,223
Export expenses		16,396	12,177
Commission		6,064	7,194
		<u>271,068</u>	<u>251,647</u>
<b>Net turnover</b>		701,831	741,675
Cost of sales	7	584,678	445,216
		<u>117,153</u>	<u>296,459</u>
<b>Gross profit</b>			
Distribution cost		10,024	8,659
Administrative expenses		19,960	15,926
		29,984	24,585
Other operating income - net		(4,274)	(32,219)
		<u>91,443</u>	<u>304,093</u>
Finance cost		72,947	37,425
Other charges		925	13,368
		<u>73,872</u>	<u>50,793</u>
<b>Profit before taxation</b>		17,571	253,300
Taxation		4,277	52,041
<b>Profit after taxation</b>		<u>13,294</u>	<u>201,259</u>
			(Rupees)
<b>Basic and diluted earnings per share</b>		<u>0.08</u>	<u>1.30</u>

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

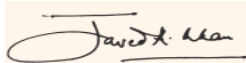
**JAVED ALI KHAN**  
Chief executive

**MANZOOR HAYAT NOON**  
Chairman

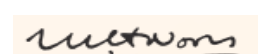
**CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2006  
(UN AUDITED)**

	September 30, 2006	September 30, 2005
	(Rupees in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,571	253,300
Adjustments for non cash and other items:		
Depreciation	84,949	77,152
Un realized loss on fair value of derivative	-	(30,716)
Provision for gratuity and compensated absences	4,414	4,100
Finance cost	72,947	37,426
Workers' Profit Participation Fund	925	13,331
Exchange gain	(3,900)	-
	159,335	101,293
<b>Cash flow before working capital changes</b>	176,906	354,593
<b>Movement in working capital</b>		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(32,633)	(124,149)
Stock-in-trade	(18,362)	22,713
Trade debts	(5,177)	5,594
Loans and advances	(3,484)	(78,162)
Deposits and prepayments	(1,450)	(1,308)
Other receivables	188	934
	(60,918)	(174,378)
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(12,480)	(45,125)
Trade and other payables	26,560	91,086
Sales tax payable	(22,719)	(11,691)
	(8,639)	34,270
	(69,557)	(140,108)
<b>Cash generated from operations</b>	107,349	214,485
Finance cost paid	(135,067)	(34,904)
Income tax paid	(3,241)	(7,416)
Gratuity and compensated absences paid	(6,636)	(835)
Dividend paid	-	(1)
	(144,944)	(43,156)
Decrease in long term loans	453	(419)
Decrease in long term deposits - net	(144)	(42,557)
<b>Net cash inflow from operating activities</b>	(37,286)	128,353
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(140,704)	(479,336)
<b>Net cash used in investing activities</b>	(140,704)	(479,336)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans - net of repayments	(50,927)	(12,370)
Long term financing	(10,185)	250,000
Long term murabahah financing	99,720	-
Liabilities against assets subject to finance lease - net of repayments	121,395	120,062
<b>Net cash inflow from / (used in) financing activities</b>	160,003	357,692
<b>Net increase in cash and bank balances</b>	(17,987)	6,709
<b>Cash and bank balances at the beginning of the year</b>	71,905	17,529
<b>Cash and bank balances at the end of the year</b>	53,918	24,238

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



**JAVED ALI KHAN**  
Chief executive



**MANZOOR HAYAT NOON**  
Chairman



# PIONEER CEMENT LIMITED



## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2006 (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) / profit		
<----- (Rupees in '000') ----->						
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>
Balance as at July 01, 2006	1,624,839	73,309	-	623,915	697,224	2,322,063
Proposed dividend	-	-	-	(162,484)	(162,484)	(162,484)
Proposed issue of bonus shares	-	(73,309)	73,309	-	-	-
Profit for the period ended September 30, 2006	-	-	-	13,294	13,294	13,294
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	6,962	6,962	6,962
<b>Balance as at September 30, 2006</b>	<b>1,624,839</b>	<b>-</b>	<b>73,309</b>	<b>481,687</b>	<b>554,996</b>	<b>2,179,835</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, 2006  
(UN AUDITED)**

**1. STATUS AND NATURE OF BUSINESS**

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, Al - Falah Building, Shahrah-e-Quaid-e-Azam, Lahore. The principal activity of the Company is manufacturing and sale of cement.

**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, 2006.

**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, 2006.

**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
<b>Operating fixed assets</b>		
Furniture and fixtures	3,143	-
Office equipment	2,190	-
<b>Capital work in progress</b>		
Plant and machinery - owned	108,520	-
Civil works	19,105	-
Unallocated capital expenditure	5,163	-
	132,788	-

**5. LONG TERM MURABAHAH FINANCING - secured**

Represents murabahah financing facility obtained from Bank Islami Pakistan Limited and is repayable in various installments starting from October 2007. The rate of profit is 6 months KIBOR plus 3.5% per annum with a floor and cap of 13% and 18% per annum respectively. The loan is secured by hypothecation over the Company's fixed assets, stocks and receivables. The profit is payable quarterly and the principal is payable at the end of each murabahah transaction term.

**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, 2006.

**6.2** Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs. 61.517 million ( June 30, 2006: 55.847 million).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2006  
(UN AUDITED)**

	September 30, 2006	September 30, 2005
	(Rupees in '000)	
<b>7. COST OF SALES</b>		
<b>Raw material consumed</b>	43,678	31,167
Packing material consumed	41,212	34,946
Fuel and power	334,057	221,856
Stores and spares consumed	26,859	13,724
Salaries, wages and benefits	49,767	29,215
Travelling and conveyance	4,642	2,332
Insurance	1,471	1,270
Repairs and maintenance	12,577	3,664
Communication	439	369
Fee and subscription	298	856
Depreciation	80,748	75,924
Other manufacturing expenses	2,201	3,601
	554,271	387,757
<b>Work in process</b>		
Opening	44,196	25,053
Closing	(45,965)	(10,804)
	(1,769)	14,249
<b>Cost of goods manufactured</b>	596,180	433,173
<b>Finished goods</b>		
Opening	16,495	21,193
Closing	(27,997)	(9,150)
	(11,502)	12,043
	584,678	445,216
<b>8. TRANSACTIONS WITH RELATED PARTIES</b>		
Finance cost paid	7,074	6,746
Contribution to staff provident fund	1,415	1,092

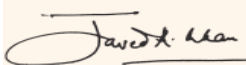
The above transactions are at arm's length using admissible valuation methods.

**9. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on October 31, 2006 by the Board of Directors of the Company.

**10. GENERAL**

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



**JAVED ALI KHAN**  
Chief executive



**MANZOOR HAYAT NOON**  
Chairman