



PIONEER
CEMENT LTD.



PIONEER CEMENT LIMITED

FINANCIAL STATEMENTS FOR THE QUARTER ENDED
MARCH 31, 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. Eitrat Hussain Rizvi

Mr. Saleem Shahzada

AUDIT COMMITTEE

Chairman

Mr. Rafique Dawood (FDIB)

Members

Mr. Salman Hayat Noon

Mr. Adnan Hayat Noon

Mr. Eitrat 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

Prime Commercial Bank Limited

Askari Commercial Bank Limited

Bank Al-Habib Limited

Habib Bank Limited

REGISTERED OFFICE

1st Floor, AlFalah Building,

Shahrah-e-Quaid-e-Azam,

Lahore, Pakistan

Telephone (042) 6284820-22

Fax (042) 6284823

Email: ro@pioneercement.com

WEBSITE

www.pioneercement.com

DIRECTORS' REPORT TO THE MEMBERS

I am pleased to present Quarterly Financial Statements for the period ended March 31, 2006 on behalf of the directors of the Company.

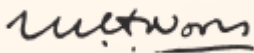
By the grace of Almighty Allah, your Company was able to register a growth of 161% in profit before tax to Rs.701.7 million and 120% in the profit after tax to Rs.500.4 million, as compared to the profits for the nine months of last financial year. The increase in profit not only reflects increase in prices of cement, but also an increase of 25.6% in the volume of sales. While sales in the domestic market increased by 25.5% to 494,011 tons, export of cement increased by 26.2% to 105,093 tons.

The cement sector continues to show buoyancy due to further rise in the demand caused by reconstruction activities which started from March-06. The growth in demand is expected to be of the order of 17% in the current fiscal year, which is likely to go further up in the years to come, due to construction of dams and other mega projects under the Public Sector Development Plans.

You will be pleased to know that the Company will be marketing its production of expansion plant from May 01, 2006.

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

We also acknowledge the dedications of our employees for producing best possible results for the Company.



MANZOOR HAYAT NOON
Chairman.

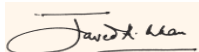
April 29, 2006

Lahore

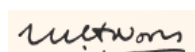
**BALANCE SHEET AS AT MARCH 31, 2006
(UN AUDITED)**

	Note	March 2006 (Unaudited)	June 2005 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	7,415,476	6,381,731
Long term loans		6,944	6,718
Long term deposits	5	94,683	36,783
		<u>7,517,103</u>	<u>6,425,232</u>
CURRENT ASSETS			
Stores, spares and loose tools	6	477,834	287,119
Stock-in-trade		94,096	56,825
Trade debts - unsecured, considered good		12,102	18,944
Loans and advances		27,412	61,652
Deposits and prepayments		3,334	1,835
Other receivables		4,805	6,533
Taxation - net		11,343	12,246
Cash and bank balances		45,582	17,529
		<u>676,508</u>	<u>462,683</u>
TOTAL ASSETS		<u><u>8,193,611</u></u>	<u><u>6,887,915</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid-up capital		1,624,839	1,547,466
Reserves		518,087	73,643
		<u>2,142,926</u>	<u>1,621,109</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		607,855	629,314
NON-CURRENT LIABILITIES			
Redeemable capital		151,033	171,403
Long term loans	7	2,011,658	1,973,151
Long term musharika finance		50,000	50,000
Liabilities against assets subject to finance lease	8	500,771	274,644
Long term deposits		5,628	6,647
Deferred liabilities		936,097	975,490
Deferred taxation	9	385,125	196,618
		<u>4,040,312</u>	<u>3,647,953</u>
CURRENT LIABILITIES			
Creditors against expansion project		256,605	488,772
Trade and other payables		389,499	289,668
Interest / markup accrued		121,211	75,960
Short term borrowings	10	286,000	20,000
Current maturity of redeemable capital		24,000	19,600
Current maturities of long term loans		241,759	63,695
Current portion of liabilities against assets subject to finance lease		56,930	13,114
Sales tax payable		26,514	18,730
		<u>1,145,913</u>	<u>500,767</u>
		<u>1,402,518</u>	<u>989,539</u>
CONTINGENCIES AND COMMITMENTS	11	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>8,193,611</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

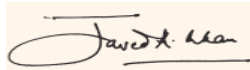


MANZOOR HAYAT NOON
Chairman

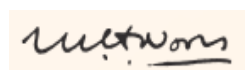
**PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)**

	Note	Nine months ended		Quarter ended	
		March 2006	March 2005 (Rupees in '000)	March 2006	March 2005
Gross turnover		2,894,652	1,850,007	1,005,602	629,018
Excise duty		370,548	295,183	135,901	99,881
Sales tax		331,594	221,527	120,672	75,952
Commission		17,565	14,228	4,796	4,453
		<u>719,707</u>	<u>530,938</u>	<u>261,369</u>	<u>180,286</u>
Net turnover		<u>2,174,945</u>	<u>1,319,069</u>	<u>744,233</u>	<u>448,732</u>
Cost of sales	12	1,290,691	886,260	456,285	294,648
Gross profit		<u>884,254</u>	<u>432,809</u>	<u>287,948</u>	<u>154,084</u>
Distribution cost		55,555	24,829	17,443	8,111
Administrative expenses		47,987	39,118	14,144	12,776
		<u>103,542</u>	<u>63,947</u>	<u>31,587</u>	<u>20,887</u>
Other operating income - net		(80,839)	(2,341)	864	(242)
		<u>861,551</u>	<u>371,203</u>	<u>255,497</u>	<u>133,439</u>
Finance cost		122,777	84,889	43,351	27,784
Other charges		37,064	17,796	12,580	70
		<u>159,841</u>	<u>102,685</u>	<u>55,931</u>	<u>27,854</u>
Profit before tax		<u>701,710</u>	<u>268,518</u>	<u>199,566</u>	<u>105,585</u>
Taxation		201,352	41,201	87,286	39,227
Profit after tax		<u><u>500,358</u></u>	<u><u>227,317</u></u>	<u><u>112,280</u></u>	<u><u>66,358</u></u>
				(Rupees)	
Basic earnings per share (prior period restated)		<u>3.08</u>	<u>1.51</u>	<u>0.69</u>	<u>0.44</u>
Diluted earnings per share (prior period restated)		<u>3.00</u>	<u>1.37</u>	<u>0.68</u>	<u>0.37</u>

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



JAVED ALI KHAN
Chief executive



MANZOOR HAYAT NOON
Chairman

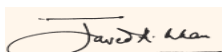
**CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)**

	March 2006	March 2005
	(Rupees in '000')	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	701,710	268,518
Adjustments for non cash and other items:		
Depreciation	222,336	158,082
Reversal of un realized loss on fair value of derivative	(30,716)	-
Realised gain on settlement of long term loan	(38,250)	-
Provision for gratuity	10,320	6,435
Finance cost	122,777	88,553
(Profit) / loss on disposal of fixed assets	(19)	459
Workers' Profit Participation Fund	36,932	14,132
Exchange (gain) / loss	(10,655)	-
	312,725	267,661
Cash flow before working capital changes	1,014,435	536,179
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(190,715)	(22,556)
Stock-in-trade	(37,271)	(85,438)
Trade debts	6,842	4,861
Loans and advances	34,240	(20,369)
Deposits and prepayments	(1,499)	(51,615)
Other receivables	1,728	(10,235)
	(186,675)	(185,352)
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(232,167)	-
Trade and other payables	113,566	148,495
Sales tax payable	7,784	1,469
	(110,817)	149,964
	(297,492)	(35,388)
Cash generated from operations	716,943	500,791
Finance cost paid	(132,666)	(130,408)
Income tax paid	(8,339)	(4,658)
Gratuity and compensated absences paid	(5,230)	(3,018)
Workers' Profit Participation Fund	(22,433)	-
Dividend paid	(13)	(14)
	(168,681)	(138,098)
Change in long term loans	1,040	(1,311)
Change in long term deposits - net	(58,920)	(13,302)
Net cash inflow from operating activities	490,382	348,080

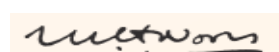
**CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)**

	March 2006	March 2005
	(Rupees in '000')	
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(1,273,880)	(966,453)
Proceeds from sale of fixed assets	138	3,317
Net cash used in investing activities	(1,273,742)	(963,136)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from right issue	-	477,186
Long term loans - net of repayments	275,470	(68,213)
Liabilities against assets subject to finance lease - net of repayments	269,943	177,409
Short term borrowings	266,000	-
Net cash inflow from financing activities	811,413	586,382
Net increase / (decrease) in cash and bank balances	28,053	(28,674)
Cash and bank balances at the beginning of the year	17,529	37,199
Cash and bank balances at the end of the year	45,582	8,525

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



JAVED ALI KHAN
Chief executive

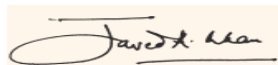


MANZOOR HAYAT NOON
Chairman

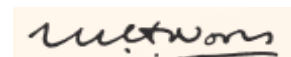
STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total reserves	Total equity
		Share premium	Accumulated profit / (loss)		
(Rupees in '000)					
Balance as at July 01, 2004	954,371	-	(409,128)	(409,128)	545,243
Issue of right shares @ 2: 1	477,186	-	-	-	477,186
Profit after tax for the nine months ended March 31, 2005	-	-	227,317	227,317	227,317
Balance as at March 31, 2005	1,431,557	-	(181,811)	(181,811)	1,249,746
Balance as at July 01, 2005	1,547,466	150,682	(77,039)	73,643	1,621,109
Issue of bonus shares @ 20:1	77,373	(77,373)	-	(77,373)	-
Profit after tax for the nine months ended March 31, 2006	-	-	500,358	500,358	500,358
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period – net of tax	-	-	21,459	21,459	21,459
Balance as at March 31, 2006	1,624,839	73,309	444,778	518,087	2,142,926

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 NINE MONTHS ENDED MARCH 31, 2006
(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, Al Falah Building, Shahrah-e-Quaid-e-Azam, Lahore. The principal activity of the Company is manufacturing and sale of cement.
- 1.2** The Company is in the final stage of completion of expansion project which will enhance the production capacity of the Company by 4,300 tons per day. Trial production of different sections of Plant No. 2 is in process and commercial production is expected to commence within current financial year.

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	Deletions
	(Rupees in '000)	
Operating fixed assets		
Plant and machinery	-	32,435
Capital work in progress		
Line I:		
Civil Works	56,870	-
Plant Expansion Line II:		
Plant and machinery		
- owned	4.1 325,343	-
- leased	284,900	-
	610,243	-
Civil works	550,664	-
Unallocated capital expenditure	4.2 70,280	-
	1,231,187	-
	<u>1,288,057</u>	<u>-</u>

- 4.1** Includes borrowing cost amounting to Rs. 99.440 million (June 30, 2005: Rs. 15.225 million) capitalized during the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)

	(Rupees in '000')	
4.2 Unallocated capital expenditure		
Staff salaries and benefits		9,701
Travelling and related expenses		3,560
Trial production expenses net of trial run sales		32,070
Other expenses		24,949
		<u>70,280</u>
	March	June
	2006	2005
	(Rupees in '000)	
5. LONG TERM DEPOSITS		
Security deposits		
- Utilities	35,730	12,480
- Leasing companies	57,640	23,150
- Others	<u>1,313</u>	<u>1,153</u>
	<u>94,683</u>	<u>36,783</u>
6. STORES, SPARES AND LOOSE TOOLS		
Stores	109,811	70,520
Spares	270,114	209,898
Loose too	<u>3,456</u>	<u>2,590</u>
	383,381	283,008
Spares in transit	<u>94,453</u>	<u>4,111</u>
	<u>477,834</u>	<u>287,119</u>
7. LONG TERM LOANS		
Following are the changes in long term loans from the status as reported in the audited financial statements issued for the year ended June 30, 2005:		
7.1 ASIAN FINANCE AND INVESTMENT CORPORATION (AFIC)		
As per rescheduling agreement reached with the management of AFIC on December 16, 2005, the Company has to pay accrued unpaid interest of USD 306,992.64 by January 31, 2006. The same has been paid by the Company. Other terms and conditions remain the same.		
7.2 NATIONAL BANK OF PAKISTAN (NBP)		
A new loan has been obtained from NBP amounting to Rs. 250 million for financing expansion project on the following terms and conditions:		
Rate of markup	6 months KIBOR plus 2.5%	
Repayment	Starting from May 2006	
Number of installments	12 quarterly varying installments	
The loan is secured by a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future plant and machinery and guarantee of sponsoring directors.		

**NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)**
7.3 SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY (PRIVATE) LIMITED (SAPICO)

The Company has acquired a loan of Rs. 100 million from SAPICO on the following terms and conditions:

Rate of markup	6 months KIBOR plus 3.0%
Repayment	Starting from May 2006
Number of installments	12 quarterly varying installments

The loan is secured by a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future fixed assets including plant and machinery and guarantee of sponsoring directors.

The loan has been disbursed by the bank after adjusting the previous outstanding loan of the Company obtained from SAPICO in prior years.

	March 2006	June 2005
	(Rupees in '000)	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	287,758	15,725
Assets acquired during the period	284,900	279,505
	<u>572,658</u>	<u>295,230</u>
Less: Repayments during the period	14,957	7,472
	<u>557,701</u>	<u>287,758</u>
Less: Current portion of the liability	56,930	13,114
	<u>500,771</u>	<u>274,644</u>

9. DEFERRED TAXATION
Credit balance arising due to:

- accelerated tax depreciation	401,129	392,891
- surplus on revaluation of fixed assets	327,307	338,862
	<u>728,436</u>	<u>731,753</u>

Debit balances arising due to:

- available tax losses	(315,687)	(507,660)
- provisions for gratuity and compensated absences	(25,536)	(24,274)
- others	(2,088)	(3,201)
	<u>(343,311)</u>	<u>(535,135)</u>
	<u>385,125</u>	<u>196,618</u>

10. SHORT TERM BORROWINGS
Related parties

First Dawood Investment Bank - secured	10,000	10,000
Guardian Modaraba - secured	10,000	10,000
	<u>20,000</u>	<u>20,000</u>

Others

Finance under markup arrangement - secured	10.1	266,000	-
		<u>286,000</u>	<u>20,000</u>

10.1 Represents financing facilities obtained from banks and financial institutions and are repayable by June 30, 2006. The rate of mark-up on these facilities ranges from 6 month KIBOR plus 2.5% per annum to 15% per annum. The loan is secured by hypothecation over the Company's all present and future current assets and personal guarantees of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)

11. CONTINGENCIES AND COMMITMENTS

11.1 There has been no material change in the status of reported contingencies as given in the financial statements for the year ended June 30, 2005, except that the matter disclosed in 27.9 to the financial statements for the year ended June 30, 2005 has been decided in favor of the Company by the Central Board of Revenue.

11.2 Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs. 137.205 million (June 30, 2005: 292.090 million).

	Nine months ended		Quarter ended	
	March 2006	March 2005	March 2006	March 2005
	(Rupees in '000)			
12. COST OF SALES				
Raw material consumed	98,132	75,139	33,475	24,845
Packing material consumed	100,219	74,667	35,221	24,466
Fuel and power	670,017	551,772	223,866	174,507
Stores and spares consumed	37,317	31,101	8,247	9,980
Salaries, wages and benefits	94,988	53,614	34,015	18,564
Travelling and conveyance	6,063	5,264	1,798	1,654
Insurance	4,189	3,752	1,648	1,350
Repairs and maintenance	8,348	9,784	2,660	3,053
Communication	1,322	1,265	321	552
Fee and subscription	1,820	1,973	343	1,434
Depreciation	218,612	154,822	72,606	51,115
Other manufacturing expenses	9,184	6,053	2,121	1,420
	<u>1,152,079</u>	<u>894,067</u>	<u>382,846</u>	<u>288,095</u>
Work in process and finished goods				
Opening	46,246	44,363	45,730	109,017
Closing	(5,766)	(127,309)	(5,766)	(127,309)
	<u>40,480</u>	<u>(82,946)</u>	<u>39,964</u>	<u>(18,292)</u>
	<u>1,290,691</u>	<u>886,260</u>	<u>456,285</u>	<u>294,648</u>

13. TRANSACTIONS WITH RELATED PARTIES

	March 2006	June 2005
	(Rupees in '000)	
Finance cost paid	<u>18,366</u>	<u>-</u>
Contribution to staff provident fund	<u>3,166</u>	<u>1,871</u>
Arrangements under lease financing - net of payments	<u>(2,059)</u>	<u>44,447</u>
Deposit account	<u>-</u>	<u>132,079</u>
Payment against plant and machinery	<u>394,805</u>	<u>260,198</u>

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

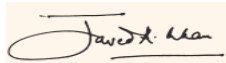
**NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN AUDITED)**

14. DATE OF AUTHORIZATION FOR ISSUE

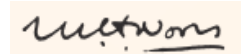
These financial statements have been authorized for issue on April 29, 2006 by the Board of Directors of the Company.

15. GENERAL

- 15 Previous period's figures have been rearranged or reclassified wherever necessary for the purpose of comparison.
- 15 Rupees have been rounded off to nearest thousands.



JAVED ALI KHAN
Chief executive



MANZOOR HAYAT NOON
Chairman