



PIONEER  
CEMENT LTD.



# **PIONEER CEMENT LIMITED**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
MARCH 31, 2007**

## **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**

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Shahrah-e-Quaid-e-Azam,

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**WEBSITE**

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## DIRECTORS' REPORT

I would like to present quarterly financial statements for the period ended 31<sup>st</sup> March, 2007 on behalf of the directors of the Company.

The clinker production has continuously been increasing, registering a rise of 19% in the first quarter, 51% in the second quarter and 93% in the third quarter. Sales volume has also been gradually moving up with 13% rise in first quarter, 82% in the second quarter and 94% in the third quarter. Despite substantial growth in sales volume, the net sales revenue almost remained at the same level, because a price war like situation had prevailed from July, 2006 till January, 2007 which caused a decline of about 50% in the net price of cement. Cost of production on the other hand went up on account of increase in the prices of input items and an upward revision of power tariff.

As a result of above, the Company could only make a nominal profit of Rs.4.1 million (EPS of Rs.0.02) during the quarter under review. It is however, heartening that not only prices have started improving, but the demand of cement has also shown a phenomenal growth during the last few months. Another encouraging scenario which has recently emerged is a tremendous growth in demand of cement in the neighbouring countries. Export prices have shown an impressive recovery during April-07 due to shortage of cement in the region including India. Export prices are likely to go up further if export to India is allowed by the government through the land route. All Pakistan Cement Manufacturers Association has approached the government to permit export of cement through the Wagha border. Since your Company is located close to this border, it can enormously benefit by exporting cement to the areas across the border, where an acute shortage of cement has been persisting. We have already applied for registration of our brand with the Bureau of Indian Standards.

You will be pleased to know that Pioneer brand was selected for Brands of the year Award for 2006.

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

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

MANZOOR HAYAT NOON  
Chairman

Lahore: April 25, 2007

**PIONEER CEMENT LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2007  
(UN AUDITED)**

	March 31, 2007	June 30, 2006
	(Rupees in '000)	
Note	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7,624,813	7,683,391
Long term loans	8,115	5,064
Long term deposits	128,524	98,809
	7,761,452	7,787,264
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	378,609	375,858
Stock-in-trade	57,340	96,757
Assets held for disposal	32,847	32,847
Trade debts - unsecured, considered good	49,740	12,490
Loans and advances	23,915	13,670
Deposits and prepayments	4,573	1,550
Other receivables	3,120	1,756
Taxation - net	5,169	10,899
Cash and bank balances	69,481	71,905
	624,794	617,732
<b>TOTAL ASSETS</b>	<b>8,386,246</b>	<b>8,404,996</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized capital	2,500,000	2,500,000
Issued, subscribed and paid-up capital	1,698,148	1,624,839
Reserves	364,914	697,224
	2,063,062	2,322,063
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	583,322	604,342
<b>NON-CURRENT LIABILITIES</b>		
Long term financing	87,118	430,663
Liabilities against assets subject to finance lease	542,272	454,070
Long term musharika finance	-	50,000
Long term deposits	6,410	5,627
Long term creditor	23,008	29,008
Deferred liabilities	734,509	862,867
Deferred tax liability	381,260	435,989
Long term loans	1,492,883	1,812,063
	3,267,460	4,080,287
<b>CURRENT LIABILITIES</b>		
Creditors against expansion project	265,966	298,260
Trade and other payables	552,426	368,446
Interest / markup accrued	121,363	42,463
Current maturity of long term financing	357,665	40,740
Musharika finance	50,000	-
Murabahah financing	99,720	-
Current maturities of long term loans	554,700	354,170
Current portion of liabilities against assets subject to finance lease	228,926	133,585
Current portion of deferred mark up	201,572	130,390
Sales tax payable	40,064	30,250
	2,206,436	1,100,044
	2,472,402	1,398,304
<b>CONTINGENCIES AND COMMITMENTS</b>	5	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,386,246</b>	<b>8,404,996</b>

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 NINE MONTHS ENDED MARCH 31, 2007 (UN AUDITED)

	Note	Nine months ended		Quarter ended	
		March 2007	March 2006	March 2007	March 2006
		(Rupees in '000)			
<b>Gross turnover</b>		3,238,054	2,894,652	1,337,398	1,005,602
Excise duty		608,318	370,548	264,222	135,901
Sales tax		394,732	331,594	168,076	120,672
Export expenses		21,582	27,754	1,822	8,467
Commission		30,347	17,565	18,534	4,796
		<u>1,054,979</u>	<u>747,461</u>	<u>452,654</u>	<u>269,836</u>
<b>Net turnover</b>		<u>2,183,075</u>	<u>2,147,191</u>	<u>884,744</u>	<u>735,766</u>
Cost of sales	6	1,988,353	1,290,691	759,216	456,285
<b>Gross profit</b>		<u>194,722</u>	<u>856,500</u>	<u>125,528</u>	<u>279,481</u>
Distribution cost		36,482	27,801	13,733	8,976
Administrative expenses		66,293	47,987	19,195	14,144
		<u>102,775</u>	<u>75,788</u>	<u>32,928</u>	<u>23,120</u>
Other operating income - net		(4,677)	(80,839)	(2,396)	864
		<u>96,624</u>	<u>861,551</u>	<u>94,996</u>	<u>255,497</u>
Finance cost		256,568	122,777	90,840	43,351
Other charges		2,204	37,064	72	12,580
		<u>258,772</u>	<u>159,841</u>	<u>90,912</u>	<u>55,931</u>
<b>Profit / (loss) before taxation</b>		<u>(162,148)</u>	<u>701,710</u>	<u>4,084</u>	<u>199,566</u>
Taxation		(44,612)	201,352	(37)	87,286
<b>Profit / (loss) after taxation</b>		<u>(117,536)</u>	<u>500,358</u>	<u>4,121</u>	<u>112,280</u>
		(Rupees)			
<b>Basic and diluted earnings per share</b>		<u>(0.69)</u>	<u>Restated 2.95</u>	<u>0.02</u>	<u>Restated 0.66</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, 2007**  
**(UN AUDITED)**

	Note	March 2007	March 2006
		(Rupees in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	8	479,093	716,943
Finance cost paid		(238,971)	(132,666)
Workers' Profit Participation Fund		-	(22,433)
Income tax paid		(7,918)	(8,339)
Gratuity and compensated absences paid		(11,635)	(5,230)
Dividend paid		(123,717)	(13)
		(382,241)	(168,681)
Change in long term loans		(3,050)	1,040
Change in long term deposits - net		(28,932)	(58,920)
<b>Net cash inflow from operating activities</b>		<u>64,870</u>	<u>490,382</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(210,655)	(1,273,880)
Proceeds from sale of fixed assets		3,858	138
<b>Net cash used in investing activities</b>		<u>(206,797)</u>	<u>(1,273,742)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term loans - net of repayments		(106,322)	275,470
Long term financing		(26,620)	-
Long term murabahah financing		99,720	266,000
Short term borrowings		172,725	269,943
Liabilities against assets subject to finance lease - net of repayments		172,725	269,943
<b>Net cash inflow from / (used in) financing activities</b>		<u>139,503</u>	<u>811,413</u>
<b>Net increase in cash and bank balances</b>		<u>(2,424)</u>	<u>28,053</u>
<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>		<u><u>69,481</u></u>	<u><u>45,582</u></u>

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, 2007  
(UN AUDITED)**

	Issued, subscribed and paid-up capital	Capital Reserves Share premium	Revenue Reserves Accumulated (loss) / profit	Total reserves	Total equity
	< ----- (Rupees in '000') ----- >				
Balance as at July 01, 2005	1,547,466	150,682	(77,039)	73,643	1,621,109
Issue of bonus shares	77,373	(77,373)	-	(77,373)	-
Profit for the nine months ended March 31, 2006	-	-	500,358	500,358	500,358
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	21,459	-
<b>Balance as at March 31, 2006</b>	<b>1,624,839</b>	<b>73,309</b>	<b>423,319</b>	<b>518,087</b>	<b>2,121,467</b>
Balance as at July 01, 2006	1,624,839	73,309	623,915	697,224	2,322,063
Dividend @ 10%	-	-	(162,484)	(162,484)	(162,484)
Issue of bonus shares	73,309	(73,309)	-	(73,309)	-
Loss for the nine months ended March 31, 2007	-	-	(117,536)	(117,536)	(117,536)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	21,019	21,019	21,019
<b>Balance as at March 31, 2007</b>	<b>1,698,148</b>	<b>-</b>	<b>364,914</b>	<b>364,914</b>	<b>2,063,062</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 NINE MONTHS ENDED MARCH 31, 2007  
(UN AUDITED)**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1 The Company was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (the Ordinance) 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 The Company has been facing acute cash flow problems. The situation further aggravated because of losses sustained during the quarter ended December 31, 2006 due to price war in the industry. In order to overcome the mismatch between the current liabilities and current assets, a Syndicate has been formed to arrange a long term financing of Rupees one billion. Further, the price of cement has also improved which will help to improve the cash flow position of the Company. It is expected that after disbursement of the proposed financing, and profits to be earned during the last quarter of the current financial year, the current ratio will improve significantly.

**2. BASIS OF PREPARATION**

These interim condensed financial statements are un-audited and are presented to the shareholders under Section 245 of the Ordinance and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) – 34 "Interim Financial Reporting". The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2006.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed for the preparation of these interim condensed financial statements are the same as those applied in preparing the annual 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:

	<b>Additions</b>	<b>Deletions</b>
	(Rupees in '000)	
<b>Operating fixed assets</b>		
<b><u>Owned:</u></b>		
Plant and machinery	1,125	-
Furniture and fixtures	5,362	-
Office equipment	2,292	-
Computer & accessories	2,750	-
Vehicles	2,497	5,779
<b><u>Leased:</u></b>		
Plant and machinery line II	288,413	-
Vehicles	11,829	-
<b>Capital work in progress</b>		
Plant and machinery - owned	162,520	-
Engineering, supervisory and designing fee	7,420	-
Civil works	31,129	-
	201,069	-



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2007**  
**(UN AUDITED)**

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Repayment of lease financing	6,667	-
Finance cost paid	4,066	-
DAL Teknik, Turkey		
Payment against purchase of plant and machinery	7,840	394,805
DAL Makina, Turkey		
Payment against purchase of equipments	28,498	-
<b>Provident Fund contribution</b>	<b>2,909</b>	<b>3,166</b>

Bonus shares and dividend have also been issued/ paid to related parties during the period in addition to above transactions.

**8. CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation	(162,148)	701,710
Adjustments for non cash and other items:		
Depreciation	272,062	222,336
Un realized loss on fair value of derivative	-	(30,716)
Gain on settlement of derivative	-	(38,250)
Provision for gratuity and compensated absences	9,228	10,320
Finance cost	256,568	122,777
Profit on disposal of fixed assets	(2,547)	(19)
Workers' Profit Participation Fund	-	36,932
Exchange gain	1,764	(10,655)
	<u>537,075</u>	<u>312,725</u>
<b>Cash flow before working capital changes</b>	<b>374,927</b>	<b>1,014,435</b>
<b>Movement in working capital</b>		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(2,751)	(190,715)
Stock-in-trade	39,417	(37,271)
Trade debts	(37,250)	6,842
Loans and advances	(6,714)	34,240
Deposits and prepayments	(3,023)	(1,499)
Other receivables	(1,364)	1,728
	<u>(11,685)</u>	<u>(186,675)</u>
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(36,553)	(232,167)
Trade and other payables	142,590	113,566
Sales tax payable	9,814	7,784
	<u>115,851</u>	<u>(110,817)</u>
	<u>104,166</u>	<u>(297,492)</u>
<b>Cash generated from operations</b>	<b>479,093</b>	<b>716,943</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED MARCH 31, 2007  
(UN AUDITED)**

**9. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on April 25, 2007 by the Board of Directors of the Company.

**10. CORRESPONDING FIGURES**

Certain prior period's figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. Material reclassification is in freight and handling charges of Rs. 27.754 million which has been reclassified from distribution cost and shown as deduction from turnover in line with the industry practice.

**11. GENERAL**

Rupees have been rounded off to nearest thousands.

**JAVED ALI KHAN**  
Chief executive

**MANZOOR HAYAT NOON**  
Chairman