

## Contents

Corporate Information	02
Directors' Report to the Members	03
Condensed Interim Balance Sheet	05
Condensed Interim Profit and Loss Account	06
Condensed Interim Statement of Comprehensive Income	07
Condensed Interim Cash Flow Statement	08
Condensed Interim Statement of Changes in Equity	09
Notes to the Condensed Interim Financial Statements	10

# Corporate Information

## Board of Directors

### Chairman

Mr . Manzoor Hayat Noon

### Managing Director & CEO

Syed Mazher Iqbal

### Directors

Mr. Aly Khan

Mr. Omer Adil Jaffer

Mr. William Gordon Rodgers

Mr. Wajahat A. Baqai (NBP)

Mr. Rafique Dawood (FDIB)

Mr. Cevdet DAL

Mr. Etrat Hussain Rizvi

Mr. Saleem Shahzada

### Audit Committee

#### Chairman

Mr. Rafique Dawood (FDIB)

#### Members

Mr. Aly Khan

Mr. William Gordon Rodgers

Mr. Etrat Hussain Rizvi

Mr. Wajahat A. Baqai (NBP)

### Company Secretary

Syed Anwar Ali

### Chief Internal Auditor

Mr. Muhammad Zafar Qidwai

## Senior Management

Mr. Qaseem N. Siddiqui  
Director (Operations)

Mr. Zahid Aziz  
Senior General Manager  
(Mechanical & Works)

### Statutory Auditors

Ernst & Young Ford Rhodes Sidat Hyder

### Cost Auditors

Siddiqui & Co.

### Legal Advisors

Hassan & Hassan

### Bankers

The Bank of Punjab

National Bank of Pakistan

Meezan Bank Limited

The Royal Bank of Scotland

Askari Commercial Bank Limited

Bank Al-Habib Limited

Habib Bank Limited

United Bank Limited

MCB Bank Limited

Hong Kong Shanghai

Banking Corporation

## HEAD OFFICE

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Building No. 3,

Sarwar Shaheed Road,

Karachi, Pakistan.

Telephone (021) 35685052-55

Fax (021) 35685051

Email: pioneer@pioneercement.com

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Shahrah-e-Quaid-e-Azam,

Lahore, Pakistan.

Telephone (042) 36284820-2

Fax (042) 36284823

Email: pcellahore@pioneercement.com

## ZONAL SALES & MARKETING OFFICES

- Street Telephone Exchange  
New Abdali Colony, Dara Adda  
Multan.  
Telephone: (061) 4785725  
Fax: (061) 4785724
- State Life Building, 2nd Floor,  
The Mall, Peshawar Cantt,  
Peshawar  
Telephone : (091) 35262707  
Fax: (091) 35262524

## SHARES DEPARTMENT

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New Garden

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Telephone (042) 35831462-63

Email: shares@pioneercement.com

## FACTORY

Chenki, District Khushab,

Punjab, Pakistan.

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

# DIRECTORS' REPORT

The directors of your Company would like to present the financial report for the nine months ended Mar 31, 2010.

## Industry Overview:

Cement manufacturers, particularly those in North are striving hard to find ways and means for sustainable operations. The overall recession worldwide and not so good economic situation in the country coupled with excess plant capacities of local manufacturers have resulted in continuous decline in prices. Lower prices in the domestic market have sustained local demand at low retention prices. Moreover, unanticipated increase in export demand, though at lower prices, has also helped volumetric growth in cement dispatches. However, despite volumetric growth, lower prices in domestic and international markets have squeezed the margins resulting in declining profitability during the period under review.

Since Jun'09, retention prices went down by 31% while input prices are constantly on the rise, particularly for coal and electricity which are key inputs comprising more than 65% of the total cost of production. The increase in cost due to high coal prices and increasing electricity tariff is adversely affecting profit margins which were already under pressure due to reduced retention prices. The average coal prices have increased by more than 30% whereas frequent hike in electricity tariff has substantially increased the energy charges.

## Production and Sales Volume:

Clinker production during the period under review registered a slight decrease of 2% to stand at 864,188 tons as compared to 877,949 tons produced in the same period last year when your Company was able to export 139,350 tons clinker to UAE. This year clinker sales were a modest 440 tons only due to minimal demand and lower prices.

The production of cement went up from 768,288 tons to 934,011 tons representing a remarkable rise of 22% over the corresponding period of last year to cater increased volumetric sales of cement.

Though current year clinker sale was minimal, however volumetric sales of Cement witnessed a healthy increase of 23% to stand at 944,837 tons compared to 767,347 tons of cement sold during the same period last year. It comprised 805,743 tons domestic sales and 139,094 tons export in contrast to 681,092 tons local sales and 86,225 tons of cement export which is 18% and 61% increase respectively over the last year.

## Financial Results

Highlights of the operating results for the period under view are as follows:

	Jul-Mar'10 Rs. in million	Jul-Mar'09 Rs. in million
Net Sales	2,854.6	3,957.2
Cost of Goods Sold	2,923.6	2,983.0
Gross (Loss) / Profit	(69.0)	974.1
Operating (Loss) /Profit	(244.4)	572.8
(Loss) / Profit before Tax	(616.8)	16.3
Loss After Tax	(410.5)	(53.8)

Despite better than last year sales volume, net sales revenues have plummeted by 28% from Rs. 3,957 million to Rs. 2,855 million due to decline in net retention prices. The steep decline in cement prices eroded the gross profit, resulting in a gross loss of Rs. 69 million against a gross profit of Rs. 974 million posted in the same period a year ago.

Despite increase in fuel and energy costs, the cost of goods sold have reduced by a modest 2% by bringing cost discipline and efficiencies in production process. Financial charges stood at Rs. 304 million lower by Rs.39 million verses Rs. 343 million charged last year.

The Company posted a before tax loss of Rs. 617 million in contrast to a before tax net profit of Rs.16 million during corresponding period. The net loss after tax was reduced to Rs. 410 million after accounting for a deferred tax credit of Rs.206 million as against a net after tax loss of Rs 54 million in corresponding period last year. The Company incurred an exchange loss of Rs.75 million due to devaluation of Pak-rupee as compared to Rs. 234 million charged in the same period last year.

The ongoing cost control and austerity drive helped in overall reduction in expenses whereby admin expenses have come down by 15% to Rs. 57 million from Rs. 67 million in corresponding period, whereas distribution expenses (net of export expenses) have declined by 28% to Rs. 29 million from Rs. 40 million incurred in the corresponding period last year.

**Financial Restructuring**

The Company has issued 23,222,813 Ordinary shares @ Rs. 15/- each to National Bank of Pakistan under financial restructuring package. Other formalities under the restructuring package are under process and shall complete before end of the financial year. Financial restructuring formalities are at an advance stage with Bank of Punjab and negotiations are under process with other financial institutions.

**Future Prospects:**

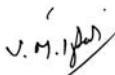
The macroeconomic indicators have started showing some improvements, with fiscal and current account deficit reducing, foreign exchange reserves and home remittances improving along with some stability in Rupee to dollar parity. Improvement in law and order situation and stability in economy is likely to further boost the cement consumption. However improvement in retention prices is very crucial for sustainability and improvement in profitability of cement manufacturers, particularly those located in North, which are at a disadvantage due to transportation cost of imported coal a major input cost.

The Government has taken a positive step in the form of 35% subsidy on export of Cement via Sea, though for a limited period from 3rd week of March 2010 to 30th June 2010. Other measures like control on ever increasing electricity charges and some remission in sales tax and excise duty will certainly provide a breather to the ailing cement industry, suffering from increasing inputs cost and declining retention prices.

The board would like to place on record its appreciations for bankers, suppliers, contractors, distributors as well as regulators and shareholders for their continued support, cooperation and trust.

The board also wishes to thank all the employees for their dedications, loyalty and hard work.

For and on behalf of the Board



**Syed Mazher Iqbal**  
 CEO  
 April 28, 2010  
 Karachi

# Condensed Interim Balance Sheet

as at March 31, 2010 (Un-audited)

	Note	March 31, 2010 (Un-Audited)	June 30, 2009 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	8,974,240	9,254,674
Long-term loans – secured		5,433	7,563
Long-term deposits		52,896	64,920
		<u>9,032,569</u>	<u>9,327,157</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		512,562	506,050
Stock-in-trade	5	155,416	146,066
Trade debts – unsecured, considered good		61,147	37,402
Loans and advances – considered good		127,046	25,202
Trade deposits and short-term prepayments		830	613
Other receivables		19,377	19,382
Current portion of long-term deposits		41,680	45,517
Taxation – net		99,883	81,043
Cash and bank balances	6	64,550	159,302
		<u>1,082,491</u>	<u>1,020,577</u>
<b>TOTAL ASSETS</b>		<u><u>10,115,060</u></u>	<u><u>10,347,734</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	7	3,500,000	2,500,000
Issued, subscribed and paid-up capital	8	2,227,552	1,995,324
Reserves		154,316	405,217
		<u>2,381,868</u>	<u>2,400,541</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS–net of tax</b>		<b>2,149,318</b>	<b>2,180,889</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing – secured		10,624	41,191
Liabilities against assets subject to finance lease	9	140,870	215,480
Long-term deposits		1,078	1,068
Long-term creditor – unsecured		5,539	8,731
Deferred liabilities	10	614,115	923,120
Long-term loans – secured		640,089	1,087,583
		<u>1,412,315</u>	<u>2,277,173</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		758,865	629,132
Accrued interest / mark up		288,189	226,748
Short-term Murabaha – secured	11	262,540	-
Short-term finances	12	577,656	524,929
Current portion of long-term liabilities	13	2,269,361	2,069,927
Sales tax – net		14,948	38,395
		<u>4,171,559</u>	<u>3,489,131</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>10,115,060</u></u>	<u><u>10,347,734</u></u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

  
**SYED MAZHER IQBAL**  
 Chief Executive

  
**RAFIQUE DAWOOD**  
 Director

## Condensed Interim Profit and Loss Account for the quarter and nine months ended March 31, 2010 (Un-audited)

	Note	Nine months ended March 31,		Quarter ended March 31,	
		2010	2009	2010	2009
----- (Rupees in '000) -----					
<b>Gross turnover</b>	15	<b>3,934,014</b>	5,218,897	<b>1,465,313</b>	1,311,192
Excise duty		<b>587,904</b>	643,910	<b>212,504</b>	198,740
Sales tax		<b>470,171</b>	580,637	<b>168,026</b>	174,679
Commission		<b>21,348</b>	37,184	<b>8,728</b>	12,644
		<b>1,079,423</b>	1,261,731	<b>389,258</b>	386,063
<b>Net turnover</b>		<b>2,854,591</b>	3,957,166	<b>1,076,055</b>	925,129
Cost of sales	16	<b>2,923,614</b>	2,983,043	<b>1,143,075</b>	708,163
<b>Gross (loss) / profit</b>		<b>(69,023)</b>	974,123	<b>(67,020)</b>	216,966
Distribution cost	17	<b>117,893</b>	333,954	<b>53,713</b>	11,980
Administrative expenses		<b>57,444</b>	67,393	<b>17,092</b>	20,580
Other operating income		<b>(9,751)</b>	(20,606)	<b>(5,349)</b>	(19,742)
Finance cost		<b>304,258</b>	342,927	<b>101,620</b>	113,561
Other operating expenses	18	<b>77,899</b>	234,114	<b>(5,507)</b>	(54,394)
<b>(Loss)/Profit before taxation</b>		<b>(616,766)</b>	16,341	<b>(228,589)</b>	144,981
Taxation	19	<b>206,277</b>	(70,132)	<b>56,717</b>	(141,699)
<b>(Loss)/Profit after taxation</b>		<b>(410,489)</b>	(53,791)	<b>(171,872)</b>	3,282
----- (Rupees) -----					
<b>Loss per share - Basic and diluted</b>		<b>(2.06)</b>	(0.27)	<b>(0.86)</b>	(0.02)

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

  
**SYED MAZHER IQBAL**  
 Chief Executive

  
**RAFIQUE DAWOOD**  
 Director

# Condensed Interim Statement of Comprehensive Income

for the quarter and nine months ended March 31, 2010 (Un-audited)

	Nine months ended March 31,		Quarter ended March 31,	
	2010	2009	2010	2009
	----- (Rupees in '000') -----			
<b>(Loss) / Income for the period</b>	<b>(410,489)</b>	(53,791)	<b>(171,872)</b>	3,282
Other comprehensive income / (loss)	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(410,489)</b>	(53,791)	<b>(171,872)</b>	3,282

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

  
**SYED MAZHER IQBAL**  
 Chief Executive

  
**RAFIQUE DAWOOD**  
 Director

# Condensed Interim Cash Flow Statement

for the nine months ended March 31, 2010 (Un-audited)

	Note	Nine months ended March 31,	
		2010	2009
		(Rupees in '000)	
<b>Cash generated from operations</b>	20	<b>53,490</b>	860,484
Income tax paid		(25,712)	(40,757)
Gratuity and compensated absences paid		(4,624)	(2,332)
Dividend paid		(6)	(62)
		<b>(30,342)</b>	(43,151)
Decrease in long-term loans to employees		2,131	1,056
Decrease in long-term deposits – net		15,870	9,650
		<b>41,149</b>	828,039
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(50,443)	(58,638)
Proceeds from sale of fixed assets		1,664	5,026
<b>Net cash outflow from investing activities</b>		<b>(48,779)</b>	(53,612)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Murabaha finance obtained		262,540	-
Long-term loans		(102,721)	(253,753)
Long-term finance		-	(15,061)
Liabilities against assets subject to finance lease-net of repayments		(129,751)	(169,211)
Short-term finance net of payments		28,013	-
Finance cost paid		(145,203)	(328,687)
<b>Net cash outflow from financing activities</b>		<b>(87,122)</b>	(766,712)
<b>Net (decrease) / increase in cash and bank balances</b>		<b>(94,752)</b>	7,715
<b>Cash and bank balances at the beginning of the period</b>		<b>159,302</b>	92,297
<b>Cash and bank balances at the end of the period</b>		<b>64,550</b>	100,012

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

  
**SYED MAZHER IQBAL**  
 Chief Executive

  
**RAFIQUE DAWOOD**  
 Director



# Condensed Interim Statement of Changes in Equity for the nine months ended March 31, 2010 (Un-audited)

	Issued, subscribed and paid-up capital	Capital reserve Share Premium	Revenue reserve Accumulated Profit / (Loss)	Total Reserves	Total Equity
	(Rupees in '000)				
<b>Balance as at July 01, 2008</b>	1,995,324	59,435	250,701	310,136	2,305,460
Loss for the period after taxation	-	-	(53,791)	(53,791)	(53,791)
Other comprehensive income / (loss)	-	-	-	-	-
	<u>1,995,324</u>	<u>59,435</u>	<u>196,910</u>	<u>256,345</u>	<u>2,251,669</u>
Surplus on revaluation of fixed assets realized during the period on account of incremental depreciation charge thereon-net of tax	-	-	42,084	42,084	42,084
<b>Balance as at March 31, 2009</b>	<u>1,995,324</u>	<u>59,435</u>	<u>238,994</u>	<u>298,429</u>	<u>2,293,753</u>
<b>Balance as at July 01, 2009</b>	<b>1,995,324</b>	<b>59,435</b>	<b>345,782</b>	<b>405,217</b>	<b>2,400,541</b>
Issue of shares against outstanding liability	232,228	116,114	-	116,114	348,342
Loss for the period after taxation	-	-	(410,489)	(410,489)	(410,489)
Other comprehensive income	-	-	-	-	-
	<u>2,227,552</u>	<u>175,549</u>	<u>(64,707)</u>	<u>110,842</u>	<u>2,338,394</u>
Surplus on revaluation of fixed assets realized during the period on account of incremental depreciation charge thereon – net of tax	-	-	43,474	43,474	43,474
<b>Balance as at March 31, 2010</b>	<u>2,227,552</u>	<u>175,549</u>	<u>(21,233)</u>	<u>154,316</u>	<u>2,381,868</u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

  
**SYED MAZHER IQBAL**  
Chief Executive

  
**RAFIQUE DAWOOD**  
Director

# Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pioneer Cement Limited (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 principal activity of the Company is manufacture and sale of cement. The registered office of the Company is situated at 1st Floor, Al-Falah Building, Shahrah-e-Quaid-e-Azam, Lahore. The Company's production facility is situated at Chenki, District Khushab.
- 1.2 The Company commenced its operation with an installed capacity of 2,000 tons per day clinker. During 2005, the capacity was optimized to 2,350 tons per day. During the year ended June 30, 2006, another production line of 4,300 tons per day clinker capacity was completed which started commercial operations from April 2006.

## 2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan. These should be read in conjunction with the financial statements of the Company for the year ended June 30, 2009.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2009 except adoption of revised IAS 1 as noted below:

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements. However, surplus on revaluation of operating fixed assets is reported under separate account shown below equity in accordance with the requirements of the Companies Ordinance, 1984. The Company currently does not have any items of income and expenses representing other comprehensive income. Therefore, comprehensive loss / profit is equal to the net loss / profit reported for all periods presented.

		March 31, 2010 (Un-audited)	June 30, 2009 (Audited)
	Note	(Rupees in '000)	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	<b>8,962,753</b>	9,253,929
Capital work-in-progress	4.2	<b>11,487</b>	745
		<b><u>8,974,240</u></b>	<b><u>9,254,674</u></b>

# Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

	March 31, 2010 (Un-audited)	June 30, 2009 (Audited)
	(Rupees in '000)	
<b>4.1 Operating fixed assets</b>		
Opening book value	9,253,928	9,508,720
<b>Additions</b>		
<b>Owned</b>		
Factory buildings	-	114,087
Plant and machinery	34,608	12,881
Furniture and fixture	253	515
Office equipment	220	-
Computer and accessories	866	951
Vehicles	3,754	1,905
	<b>39,701</b>	<b>130,339</b>
<b>Deletions</b>		
<b>Owned</b>		
Furniture and fixture	(264)	(430)
Office equipment	(256)	(34)
Computer and accessories	(39)	(51)
Vehicles	(1,405)	(4,297)
	<b>(1,964)</b>	<b>(4,812)</b>
Depreciation charged during the period	<b>(328,912)</b>	<b>(380,318)</b>
	<b>8,962,753</b>	<b>9,253,929</b>
<b>4.2 Capital work-in-progress</b>		
Opening balance	745	62,145
<b>Additions:</b>		
Factory buildings	7,575	50,665
Plant and machinery	3,167	2,603
	<b>10,742</b>	<b>53,268</b>
	<b>11,487</b>	<b>115,413</b>
Less: transferred to operating fixed assets	-	114,668
	<b>11,487</b>	<b>745</b>
<b>5. STOCK-IN-TRADE</b>		
Raw material	12,089	6,888
Packing material	9,035	9,588
Work in process	130,224	94,847
Finished goods	4,068	34,743
	<b>155,416</b>	<b>146,066</b>
<b>6. CASH AND BANK BALANCES</b>		
Includes cheques in hand amounting to Rs.37.664 (June 30, 2009: Rs.81.224) million.		
<b>7. AUTHORISED SHARE CAPITAL</b>		
	March 31, 2010 (Un-audited)	June 30, 2009 (Audited)
	(No of share in '000)	
	300,000	200,000
	50,000	50,000
	<b>350,000</b>	<b>250,000</b>
	March 31, 2010 (Un-audited)	June 30, 2009 (Audited)
	(Rupees in '000)	
	3,000,000	2,000,000
	500,000	500,000
	<b>3,500,000</b>	<b>2,500,000</b>

7.1 During the period, the Company has increased its authorized share capital from Rs.2,500 million to Rs.3,500 million by increasing its ordinary shares by 100,000,000 of Rs. 10/- each as approved by shareholders in their general meeting held on October 31, 2009.

# Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

## 8. ISSUED SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10/=each			March 31, 2010 (Un-audited)	June 30, 2009 (Audited)	
184,464	184,464	Fully paid in cash	1,844,642	1,844,642	
23,223	-	Issued as fully paid against outstanding loan liability	232,228	-	
15,068	15,068	Issued as fully paid bonus shares	150,682	150,682	
<u>222,755</u>	<u>199,532</u>		<u>2,227,552</u>	<u>1,995,324</u>	

- 8.1 During the period, the Company has issued 23,222,813 ordinary shares to National Bank of Pakistan with a face value of Rs.10/= each under restructuring arrangement against outstanding loan liabilities at the rate of Rs.15/= per share. The arrangement was approved by the share holders of the Company in their general meeting held on Oct 31, 2009. The premium of Rs.5/= per share has been shown under Capital Reserve account in the Statement of Changes in Equity.

	March 31, 2010 (Un-audited)	June 30, 2009 (Audited)	
<b>9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
			(Rupees in '000)
Opening balance	419,287	486,284	
Assets acquired during the period	-	135,220	
	419,287	621,504	
Less: Payments during the period	(129,751)	(202,217)	
	289,536	419,287	
Less: Current portion of the liability	(148,666)	203,807	
	<u>140,870</u>	<u>215,480</u>	
<b>10. DEFERRED LIABILITIES</b>			
Deferred interest/markup	239,357	319,231	
Gratuity – vested contractual workers	31,278	25,155	
Deferred taxation	343,480	578,734	
	<u>614,115</u>	<u>923,120</u>	
<b>11. SHORT-TERM MURABAHA – secured</b>			
Represents short-term murabaha finance obtained by the Company from Meezan Bank Limited carrying profit rate 0.75% above 3 to 6 months KIBOR. The facility is repayable up to July, 2010 and is secured against hypothecation charge over assets of the Company with 25% margin and demand promissory note.			

		March 31, 2010 (Un-audited)	June 30, 2009 (Audited)	
<b>12. SHORT TERM FINANCES</b>				
				(Rupees in '000)
National Bank of Pakistan – FE-25	12.1	225,784	299,982	
National Bank of Pakistan – Cash finance account	12.2	202,451	-	
National Bank of Pakistan – demand finance		-	224,947	
United Bank Ltd-Cash Finance account	12.3	149,421	-	
		<u>577,656</u>	<u>524,929</u>	

- 12.1 The Company obtained a short term facility of US \$ 4.60 million which is capped to the extent of Rs.300 million from National Bank of Pakistan for a period of 180 days on roll over basis at a mark-up rate of 3 months LIBOR (US \$) plus 6 percent. The facility is secured against lien on export LCs and first pari passu charges over fixed assets with 25% margin.
- 12.2 During the period, cash finance of Rs. 300 million was enhanced to Rs.500 million by National Bank of Pakistan under restructuring package 2009 vide their letter No.MBK/CPD/PCL/2009/325 dated September 03, 2009 to meet the working capital requirements of the Company. The facility carries markup at the rate of 3 months KIBOR plus 2.25 percent and secured against first joint pari passu charge over current and fixed assets with 25% margin and personal guarantees of sponsoring Directors.
- 12.3 Represents short term cash finance facility up to Rs.200 million obtained from United Bank Ltd. The facility carries markup at the rate of 1 month KIBOR plus 0.75 percent which shall be determined on daily product basis payable to the bank at the end of each quarter. The facility is secured against a stand by letter of credit.

# Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

Note	March 31, 2010 (Un-audited) (Rupees in '000)	June 30, 2009 (Audited)
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## 13. CURRENT PORTION OF LONG-TERM LIABILITIES

Long-term financing	13.1	<b>86,894</b>	56,327
Long-term loans	13.1	<b>1,579,725</b>	1,430,362
Liabilities against assets subject to finance lease	13.1	<b>148,666</b>	203,807
Deferred liabilities		<b>454,076</b>	379,431
		<b><u>2,269,361</u></b>	<b><u>2,069,927</u></b>

- 13.1** Includes overdue installments aggregating to Rs.36.677 (June 30, 2009: Rs.12.662) million, Rs.942.051 (June 30, 2009: Rs.689.345) million and Rs.Nil (June 30, 2009: Rs.29.531) million in respect of long-term financing, long-term loans and liabilities against assets subject to finance lease respectively.

## 14. CONTINGENCIES AND COMMITMENTS

- 14.1** There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2009 except as disclosed below:

The Company has challenged FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO) in Lahore High Court regarding the application of advance tax payable of Rs.4.9 million under section 235 of the Income Tax Ordinance, 2001, particularly as amended by Finance Act 2008, is confiscatory, hence ultra vires to the Constitution. The Honorable High Court through an order dated 18 June 2009 instructed the respondent not to insist upon the payment of income tax along with the electricity bill of the Company till the next date of hearing. On December 22, 2009 the Honorable High Court has decided the case against the Company; however the Company has filed another writ petition No.515/2010 against the recovery of advance income tax. Subsequently Lahore High Court passed an order stating that the tax demand through electricity bill up to June 2009 is unlawful, but tax may be collected from the Company for the current tax year. The Company again filed Writ Petition No. 5707/10 on March 26, 2010 for exemption regarding collection of tax for the period July 2009 to December 2009, pleading that the Company has already paid the advance tax for the same period and there being no other tax liability towards the Company, the collection of excess advance tax be unjustifiable, specially when the Company has a tax refund of Rs. 79.214 million from the departement. Court ordered FBR to file detailed response on the application of the Company. The management is confident that the decision of the court would be in favor of the Company.

- 14.2.** On March 01, 2010, Bankers Equity Ltd (BEL) on the basis of the order of Honorable Sindh High Court dated February 17, 2010 has withdrawn the rescheduling/restructuring allowed to the Company as approved by the Honorable High Court of Sindh vide order dated March 03, 2009, on account of non payment of loan installments. Due to this withdrawal, installments amounting to Rs.42.235 million would become short term liability

The Company has filed an application on March 26, 2010 against the above order in Honorable Sindh High Court, explaining the unavoidable circumstances beyond the control of the Company which lead to the default, i.e. distress position of the cement industry due to global turmoil resulting in tight liquidity position of the Company. The management anticipates a favorable out come of this application for the restoration of the approved restructuring, hence, no effect of the cancellation order has been taken in these financial statements.

- 14.3.** Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs.123.587 (June 30, 2009: Rs.14.148) million.

# Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

## 15. GROSS TURNOVER

Includes export sales amounting to Rs. 501.527 (March 31, 2009: Rs. 640.307) million.

Nine months ended March 31,		Quarter ended March 31,	
2010	2009	2010	2009
----- (Un-audited) -----			
----- (Rupees in '000) -----			

## 16. COST OF SALES

Raw material consumed	196,947	168,207	79,571	38,790
Packing material consumed	284,922	243,652	107,495	68,938
Fuel and power	1,776,477	1,975,117	756,795	374,720
Stores and spare parts consumed	132,924	116,973	44,637	27,842
Salaries, wages and benefits	151,480	136,496	51,290	45,207
Travelling and conveyance	19,216	15,133	6,440	5,029
Insurance	7,917	7,334	2,278	2,466
Repairs and maintenance	33,375	37,778	10,522	11,234
Communication	1,615	1,689	425	545
Depreciation	317,092	288,257	113,821	80,819
Other manufacturing expenses	6,351	5,525	1,959	1,657
	<b>2,731,369</b>	<b>2,827,954</b>	<b>1,095,662</b>	<b>618,457</b>
<b>Total cost</b>	<b>2,928,316</b>	<b>2,996,161</b>	<b>1,175,233</b>	<b>657,247</b>

### Work in process

Opening balance	94,847	13,068	66,262	57,393
Closing balance	(130,224)	(21,720)	(130,224)	(21,720)
	<b>(35,377)</b>	<b>(8,652)</b>	<b>(63,962)</b>	<b>35,673</b>

### Cost of goods manufactured

	<b>2,892,939</b>	<b>2,987,509</b>	<b>1,111,271</b>	<b>692,920</b>
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### Finished goods

Opening balance	34,743	11,935	35,872	31,644
Closing balance	(4,068)	(16,401)	(4,068)	(16,401)
	<b>30,675</b>	<b>(4,466)</b>	<b>31,804</b>	<b>15,243</b>

	<b>2,923,614</b>	<b>2,983,043</b>	<b>1,143,075</b>	<b>708,163</b>
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## 17. DISTRIBUTION COST

Salaries, wages and benefits	16,105	20,480	5,434	6,848
Travelling and conveyance	267	557	85	206
Vehicle running expenses	1,489	2,732	469	741
Communication	1,135	1,714	297	597
Printing and stationery	667	1,075	180	333
Rent, rates and taxes	1,373	1,324	440	428
Utilities	573	1,015	114	231
Repairs and maintenance	583	1,163	105	293
Legal and professional charges	3,275	2,271	960	269
Insurance	498	625	293	212
Fee and subscription	341	1,369	138	700
Advertisements / sales promotion	166	2,287	-	41
Freight and handling charges	89,234	293,995	44,572	-
Entertainment	465	559	95	128
Depreciation	1,722	2,788	531	953
	<b>117,893</b>	<b>333,954</b>	<b>53,713</b>	<b>11,980</b>

# Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

## 18 OTHER OPERATING EXPENSES

Exchange loss / (gain) – net	<b>75,351</b>	233,786	<b>(5,507)</b>	(54,423)
Donations	<b>48</b>	193	-	29
Others	<b>2,500</b>	135	-	-
	<b>77,899</b>	234,114	<b>(5,507)</b>	(54,394)

## 19 Taxation

Included herein is deferred taxation of Rs. 223,348 (Mar. 2009: Rs. 70,132) million less current taxation of Rs. 17,071 (March 31, 2009: Rs. Nil) million.

	Nine months ended	
	March 31,	March 31,
	2010	2009
	(Un-audited)	
	(Rupees in '000)	

## 20. CASH GENERATED FROM OPERATIONS

(Loss) / Profit before taxation	<b>(616,766)</b>	16,341
Adjustments for non cash and other items:		
Depreciation	<b>328,802</b>	302,090
Provision for gratuity	<b>7,242</b>	-
Finance cost	<b>304,258</b>	342,927
Loss on disposal of property, plant and equipment	<b>(12)</b>	(225)
Exchange losses	<b>66,993</b>	221,906
	<b>707,283</b>	866,698
<b>Cash flows before working capital changes</b>	<b>90,517</b>	883,039

### Movement in working capital

(Increase) / Decrease in current assets:		
Stores, spare parts and loose tools	<b>(6,512)</b>	(15,148)
Stock-in-trade	<b>(9,351)</b>	(11,345)
Trade debts	<b>(23,745)</b>	11,565
Loans and advances	<b>(101,843)</b>	36,963
Deposits and prepayments	<b>(216)</b>	(913)
Other receivables	<b>5</b>	242
	<b>(141,662)</b>	21,364
Increase / (Decrease) in current liabilities:		
Trade and other payables	<b>128,082</b>	(77,416)
Sales tax payable	<b>(23,447)</b>	33,497
	<b>104,635</b>	(43,919)
	<b>(37,027)</b>	(22,555)
	<b>53,490</b>	860,484

## 21. TRANSACTIONS WITH RELATED PARTIES

The related parties include major shareholders, entities having directors in common with the Company, directors and other key management personnel. Transactions with related parties are as under:

	Nine months ended	
	March 31,	March 31,
	2010	2009
	(Un-audited)	
	(Rupees in '000)	

### Entities having directors in common with the Company

#### First Dawood Investment Bank

Repayment of lease financing	<b>9,343</b>	20,154
Finance cost paid	<b>21,327</b>	14,304

#### BRR International Modaraba

Repayment of lease financing	<b>5,635</b>	5,344
Finance cost paid	<b>477</b>	1,502

## Notes to the Condensed Interim Financial Statements for the nine months ended March 31, 2010 (Un-audited)

	Nine months ended	
	March 31,	March 31,
	2010	2009
	(Un-audited)	
	(Rupees in '000)	
<i>Guardian Modaraba</i>		
Repayment of lease financing	5,915	8,586
Finance cost paid	818	2,332
<b>Staff retirement contribution plan</b>		
Contribution to staff provident fund	3,956	4,580
Contribution to staff gratuity fund	-	15,674
<b>Key management personnel</b>		
Compensation	37,332	33,154

### 22. CORRESPONDING FIGURES

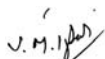
Corresponding figures, wherever necessary, have been rearranged. However, there were no material reclassifications to report.

### 23. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 28, 2010 by the Board of Directors of the Company.

### 24. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.



**SYED MAZHER IQBAL**  
Chief Executive



**RAFIQUE DAWOOD**  
Director