Contents

Corporate Information

Board of Directors

Chairman
Mr. Manzoor Hayat Noon

Managing Director & CEO
Syed Mazher Iqbal

Directors
Mr. Aly Khan
Mr. Omer Adil Jaffar
Mr. William Gordon Rodgers
Mr. Javaid Haider (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. Saleem Shahzada
Mr. Javaid Haider (NBP)

Chief Financial Officer
Mr. Amjad Waqar

Company Secretary
Syed Anwar Ali

Senior Management
Mr. Javed Elahi
Executive Director Operations

Mr. Rizwan Butt
GM Marketing & Sales

Statutory Auditors
Ernst & Young Ford Rhodes Sidat Hyder (Chartered Accountants)

Cost Auditors
Siddiqui & Co.

Legal Advisor
Hassan & Hassan

Bankers
Askari Commercial Bank Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Hong Kong Shanghai Banking Corporation
JS Bank imited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
Faisal Bank Limited
United Bank Limited

Head Office
7th Floor, Lakson Square,
Building No. 3,
Sarwar Shaheed Road,
Karachi, Pakistan.
Telephone: (021) 35685052-55
Fax: (021) 35685051
Email:pioneer@pioneercement.com
Web Site: www.pioneercement.com

Sales Offices
10-Officers Colony, Bosan Road,
Opposite Jinnah High School,
Multan, Pakistan.
Telephone: (061) 6510404
Fax: (061) 6510405

Office No. 3, 2nd Floor,
Sitara Tower, Bilal Chowk,
New Civil Lines,
Faisalabad, Pakistan.
Telephone: (041) 2630030, 2640406-7
Fax: (041) 2630923

Office No. 23, 2nd Floor,
State Life Building, The Mall,
Peshawar Cantt, Pakistan.
Telephone: (091) 5262707
Fax: (091) 5262524

Registered / Marketing Office
1st Floor, Al Falah Building,
Shahrah-e-Quaid-e-Azam,
Lahore, Pakistan.
Telephone: (042) 36284820-2
Fax: (042) 36284823
Email:pcllahore@pioneercement.com

Share Department
66, Garden Block,
New Garden Town,
Lahore, Pakistan.
Telephone: (042) 35831462-3
Email:shares@pioneercement.com

Factory
Chenki, District Khushab,
Punjab, Pakistan.
Telephone: (0454) 720832-3
Fax: (0454) 720832
Email:factory@pioneercement.com

DIRECTORS' REPORT

The directors of your company would like to present the financial report for the nine months ended March 31, 2011.

Industry Overview:

The fiscal year started with massive floods in most parts of the country resulting in a standstill in economic activities. The post floods expected increase in demand for the rehabilitation and reconstruction of flood ravaged infrastructure did not materialize due to paucity of funds with the government and the impact of high cost on the common man. The Industry volumetric sales registered a decline of 10% to stand at 22.7 million tons as compared to 25.2 million tons in the same period last year, with a 72% capacity utilization. The domestic sales decreased by 8% from 17.4 million tons to 16.02 million tons whereas export volume registered a decline of 14% to stand at 6.7 million tons as against 7.9 million tons.

The cement prices have shown an upward trend due to general increase in all input cost. The effect is severe in case of coal, which is a major input cost. The increase in coal prices is due to an increase in international demand of coal and floods in Australia, a major coal exporter. The increased demand and drop in supplies of coal along with increase in international oil prices have significantly increased the prices of imported coal and allied ocean freight. Similarly increase in prices of diesel have not only increased the cost of transportation of cement to selling destinations, but have also resulted in increase in cost of raw material, packing material, coal and other ancillary cost. The increase in electricity tariff and discount rate has further contributed to the increase in cost.

Business Performance:

Production and Sales Volume:

Clinker production during the nine months under review stood at 896,342 tons, a modest growth of 4% as compared to 864,188 tons produced in the same period last year. Production of cement also increased by 3% to 964,438 tons from 934,011 tons in corresponding period, mainly on account of a 52% increase in export volume, which helped improve capacity utilization.

Though the domestic demand has declined, overall volumetric sales of the Company showed a marginal increase of 2% to stand at 959,682 tons as compared to 945,077 tons sold during the same period last year. It comprised 747,686 tons domestic sales and 211,996 tons export including a small quantity of 735 tons of clinker in contrast to 805,743 tons local sales and 139,334 tons export, including 240 tons clinker dispatched in corresponding period.

Financial Results:

Highlights of operating results for the period under review are summarized as under:

	July - March 2011	July - March 2010
	Rs. in million	**Rs. in million**
Net Sales Revenue	**3,787.50**	**2,854.59**
Cost of Goods Sold	(3,364.34)	(2,923.61)
Gross Profit /(loss)	**423.16**	**(69.02)**
Operating profit / (loss)	**266.07**	**(234.61)**
Net loss before tax	(76.98)	(616.77)
Net loss after tax	(196.95)	(410.49)

The net sales revenue for the period ended March 31, 2011 registered an increase of 33% to stand at Rs.3,787 million as compared to Rs.2,855 million in the corresponding period last year. The increase in sales revenue by Rs.843 million is attributable to a 30% increase in retention prices, along-with an increase in sales volume by 2% that pushed up sales revenue by Rs. 90 million. The increase in retention prices is attributable to general increase in price as well as concerted marketing efforts to increase market shares in high retention areas. The cost of goods sold increased by 15% that offset some advantage of better retention prices. This comprises 2% volume growth and 13% increase due to rise in input costs, particularly electricity and coal, two major cost components. Improved retention prices helped achieving a gross margin of 11% as against 2% negative margin sustained in the same period last year.

The Company posted a pre tax loss of Rs.77 million as compared to a pretax loss of Rs.616.8 million in the comparative period last year. However, after tax, loss increased to Rs.196.9 million due to a deferred tax charge of Rs.80.7 million in contrast to comparative period after tax loss of Rs.410.49 million with a deferred tax credit of Rs.206.28. The Company incurred an exchange loss of Rs.67.1 million on account of devaluation of Pak Rupee as compared to Rs.75.3 million charged in the corresponding period.

Having sustained quarter on quarter before tax loss during the last two years, AlHamdolillah Company posted a pretax profit of Rs.59.5 million in the 3rd quarter ended March 31, 2011, against pretax loss of Rs.228.6 million in comparative period last year. InshaAllah, Company will be able to further improve its performance in the last quarter of this financial year.

Despite high inflationary pressures, your Company was able to cut cost, reduce down time and bring improvement and efficiency in processes. This helped in reducing manufacturing cost, whereby repairs and maintenance reduced 38% from Rs.33.4 million to Rs.20.8 million, stores and spares expense reduced 27% from Rs.132.9 million to Rs.97.4 million and other manufacturing expenses 9% from Rs.35.1 million to Rs.31.8 million.

The ongoing austerity measures helped reduction in expenses in all areas, including admin expenses and distribution cost. The admin expenses were reduced by 28% to Rs.41.38 million from Rs.57.44 million incurred in corresponding period. Similarly distribution cost only increased by 11.6% despite a volumetric increase of 52% in exports. Finance cost decreased by 9% from Rs.304.26 million to Rs.275.95 million mainly on account of in-process restructuring of loans, settlement of certain finance leases and efficient utilization of funds despite liquidity crunch due to losses.

Financial Restructuring:

The company was able to successfully negotiate financial restructuring packages, at improved pricing and repayment terms, with major local lenders i.e., National Bank of Pakistan (NBP), Bank of Punjab and Bankers Equity Limited. However certain formalities with respect to the terms of revised agreement with NBP could not materialize due to refusal on rights issue of preference shares by the shareholders in the meeting held on March 31, 2011. The management is in contact with NBP to find an amicable solution. In addition, efforts are in place to restructure foreign currency debt which shall help reduce financial cost and eliminate exchange losses on depreciation of Pak rupees.

Future Prospects:

There are some signs of macro-economic stability, such as rise in exports, record remittances by overseas Pakistanis and improved parity between US$ and Pak Rupee. However, recent surge in international oil prices may exacerbate foreign exchange reserves putting pressures on Rupee parity. Energy shortages (gas and electricity), security concerns and unending inflation are some of the main challenges for economy. The prospects of local cement industry remain mixed; month on month cement dispatches in March 2011 registered a superb growth of 25% that raised hopes of revival of cement demand. Another encouraging sign is that cement sector have recovered some of the lost ground by witnessing lower fall in demand by 9% in the third quarter as compared to a 16%

plunge in the first quarter of current fiscal year. ADB recently signed an agreement with the Government to invest $ 650 millions in reconstruction of vital infra-structure damaged by the last year's devastating floods.

Your Company is not only concentrating on increasing sales in high retention areas but continue to focus on cost reduction measures and efficiencies to bring down input cost. To placate the impact of rising fuel cost, Company has started using alternate fuel and is also ready to use TDF (Tire Derived Fuel), once approval from EPA (Environment Protection Agency) is received. These measures shall help some reduction in cost of production.

The government is urged to rationalize sales tax and excise duty at par with neighboring countries to ease out cost burden and help encourage increase in demand of cement. Since the industry is suffering from high input cost, large unutilized capacities and declining exports, the government should restore export incentive with subsidy @ 35% on export related inland freight charges, as was allowed in last fiscal year. This subsidy will make exports viable and will help earn much needed foreign exchange.

The board is thankful to all the stakeholders including bankers, employees, distributors, business partners as well as regulators and shareholders for their continued support and trust. The National Bank of Pakistan deserves a special thanks and appreciation for their help and patronage.

Chief Executive Officer
April 25, 2011
Karachi

Condensed Interim Balance Sheet
as at March 31, 2011

	Note	March 31, 2011 Un-audited	June 30, 2010 Audited
ASSETS		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	**8,678,776**	8,937,904
Long Term Loans to Employees – Secured		**388**	482
Long Term Deposits		**37,358**	53,080
		8,716,522	8,991,466
CURRENT ASSETS			
Stores, Spare Parts and Loose Tools	5	**1,040,721**	932,961
Stock in Trade	6	**185,364**	132,072
Trade Debts – Unsecured, considered good		**42,072**	36,851
Loans and Advances – Considered good		**69,123**	53,542
Trade Deposits and Short Term Prepayments		**418**	360
Other Receivables		**19,435**	20,845
Current portion of Long Term Deposits		**29,700**	25,014
Taxation – net		**84,446**	76,511
Cash and Bank Balances	7	**111,577**	55,872
		1,582,856	1,334,028
TOTAL ASSETS		**10,299,378**	10,325,494
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital	8	**3,500,000**	3,500,000
Issued, Subscribed and Paid-up Capital	9	**2,271,489**	2,227,552
Reserves		**(137,800)**	(9,334)
		2,133,689	2,218,218
Surplus on Revaluation of Fixed Assets - net of tax		**2,074,118**	2,120,629
NON-CURRENT LIABILITIES			
Liabilities against Assets subject to Finance Lease	10	**98,292**	120,797
Long Term Deposits		**1,553**	1,168
Long Term Creditor – Unsecured		**2,348**	2,348
Deferred Liabilities	11	**520,313**	487,764
Long Term Loans – Secured	12	**471,184**	466,231
		1,093,690	1,078,308
CURRENT LIABILITIES			
Trade and Other Payables		**1,002,028**	903,936
Accrued Interest / Mark up		**418,636**	342,892
Short Term Finances - Secured	13	**442,957**	399,109
Running Finances - Secured	14	**526,372**	670,852
Current portion of Long Term Liabilities	15	**2,583,401**	2,569,938
Sales Tax – net		**24,487**	21,612
		4,997,881	4,908,339
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		**10,299,378**	10,325,494

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statement.

Chief Executive Officer

Director

Condensed Interim Profit & Loss Account

For the quarter and nine months ended March 31, 2011 (unaudited)

	Note	Nine months ended March 31, 2011	Nine months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
		(Rupees in '000)			
Gross Turnover	17	**4,987,572**	3,934,014	**1,820,121**	1,465,313
Excise Duty		**558,551**	587,904	**194,019**	212,504
Sales Tax		**611,403**	470,171	**223,033**	168,026
Commission		**30,123**	21,348	**9,330**	8,728
		1,200,077	1,079,423	**426,382**	389,258
Net Turnover		**3,787,495**	2,854,591	**1,393,739**	1,076,055
Cost of Sales	18	**3,364,337**	2,923,614	**1,209,642**	1,143,075
Gross Profit/(loss)		**423,158**	(69,023)	**184,097**	(67,020)
Distribution Cost	19	**131,548**	117,893	**52,221**	53,713
Administrative Expenses		**41,380**	57,444	**16,990**	17,092
Other Operating Income		**(15,839)**	(9,751)	**(1,340)**	(5,349)
		157,089	165,586	**67,871**	65,456
		266,069	(234,609)	**116,226**	(132,476)
Finance Cost		**275,948**	304,258	**85,639**	101,620
Other Operating Expenses	20	**67,102**	77,899	**(28,940)**	(5,507)
		343,050	382,157	**56,699**	96,113
(Loss) / Profit before Taxation		**(76,981)**	(616,766)	**59,527**	(228,589)
Taxation	21	**(119,964)**	206,277	**(82,565)**	56,717
Loss after Taxation		**(196,945)**	(410,489)	**(23,038)**	(171,872)
		(Rupees)			
Loss per Share - Basic and Diluted		**(0.84)**	(2.06)	**(0.10)**	(0.86)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statement.

Chief Executive Officer

Director

Condensed Interim Statement of Comprehensive Income

For the quarter and nine months ended March 31, 2011(unaudited)

	Note	Nine months ended March 31, 2011	Nine months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
		(Rupees in '000)			
Loss for the Period		(196,945)	(410,489)	(20,038)	(171,872)
Other Comprehensive Income / (Loss)		-	-	-	-
Total Comprehensive Loss for the Period		**(196,945)**	**(410,489)**	**(20,038)**	**(171,872)**

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statement.

Chief Executive Officer

Director

Condensed Interim Cash Flow Statement
For nine months ended March 31, 2011 (unaudited)

	Note	Nine months ended March 31, 2011	2010
		(Rupees in '000)	
Cash Generated from Operations	22	**491,917**	53,490
Income Tax Paid		**(47,201)**	(25,712)
Gratuity and Compensated Absences Paid		**(5,477)**	(4,624)
Dividend Paid		**(4)**	(6)
		(52,682)	(30,342)
Decrease in Long Term Loans to Employees		**94**	2,131
Decrease in Long Term Deposits – net		**11,419**	15,870
Net Cash Inflow from Operating Activities		**450,748**	41,149
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Expenditure		**(40,006)**	(50,443)
Proceeds from Sale of Fixed Assets		**2,599**	1,664
Net Cash Outflow from Investing Activities		**(37,407)**	(48,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short Term Finances - net		**43,848**	262,540
Long Term Loans		**(24,913)**	(102,721)
Long Term Finance		**(9,315)**	-
Liabilities Against Assets subject to Finance Lease		**(75,231)**	(129,751)
Running Finances		**(142,698)**	28,013
Finance Cost Paid		**(149,327)**	(145,203)
Net Cash Outflow from Financing Activities		**(357,636)**	(87,122)
Net increase / (decrease) in Cash and Bank Balances		**53,705**	(94,752)
Cash and Bank Balances at the beginning of the Period		**55,872**	159,302
Cash and Bank Balances at the end of the Period	7	**111,577**	64,550

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statement.

Chief Executive Officer

Director

Condensed Interim Statement of Changes in Equity
For nine months ended March 31, 2011(unaudited)

	Issued, subscribed and paid-up capital	Reserves Capital Share Premium	Reserves Revenue Accumulated Profit	Total	Total Equity
	------------------------- (Rupees in '000) -------------------------				
Balance as at July 01, 2009	1,995,324	59,435	345,782	405,217	2,400,541
Issuance of shares against outstanding liability	232,228	116,114	-	116,114	348,342
Loss for the period	-	-	(410,489)	(410,489)	(410,489)
Other comprehensive income	-	-	-	-	-
Total Comprehensive Loss-net of tax	-	-	(410,489)	(410,489)	(410,489)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period – net of tax	-	-	43,474	43,474	43,474
Balance as at March 31, 2010	2,227,552	175,549	(21,233)	154,316	2,381,868
Balance as at July 01, 2010	**2,227,552**	**175,549**	**(184,883)**	**(9,334)**	**2,218,218**
Issuance of shares against outstanding liability	43,937	21,968	-	21,968	65,905
Loss for the period	-	-	(196,945)	(196,945)	(196,945)
Other comprehensive income	-	-	-	-	-
Total Comprehensive Loss-net of tax	-	-	**(196,945)**	**(196,945)**	**(196,945)**
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period – net of tax	-	-	**46,511**	**46,511**	**46,511**
Balance as at March 31, 2011	**2,271,489**	**197,517**	**(335,317)**	**(137,800)**	**2,133,689**

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statement.

Chief Executive Officer

Director

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (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 manufacturing 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 in April 2006.

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 30,2010.

3 Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in preparing the annual financial statements for the year ended June 30, 2010, except as follows:

The Company has adopted the following amended IFRS and related interpretations which became effective during the period:

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment) IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In April 2009, International Accounting Standards Board issued amendments to various standers primarily with a view to removing inconsistencies and clarifying wording. These improvements are made in the following standards:

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and measurement

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the condensed interim financial statement of the Company.

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (Un-audited)

		Note	March 31, 2011 Un-audited	June 30, 2010 Audited
			(Rupees in '000)	
4	**Property, Plant and Equipment**			
	Operating fixed assets	4.1	**8,676,231**	8,933,987
	Capital work-in-progress	4.2	**2,545**	3,917
			8,678,776	8,937,904
4.1	**Operating fixed assets**			
	Opening book value		**8,933,987**	9,253,929
	Additions			
	Owned			
	Factory buildings		**-**	7,575
	Office building		**159**	334
	Plant and machinery		**38,745**	52,188
	Furniture and fixture		**32**	1,703
	Office equipment		**382**	4,115
	Computer and accessories		**32**	1,032
	Vehicles		**2,091**	7,182
			41,441	74,129
	Deletions			
	Deletion during the period (at book value)		**(1,689)**	(2,228)
	Depreciation			
	Depreciation charged during the period		**(297,508)**	(391,843)
			(299,197)	(394,071)
			8,676,231	8,933,987
4.2	**Capital work-in-progress**			
	Opening balance		**3,917**	745
	Additions:			
	Factory buildings		**426**	7,575
	Plant and machinery		**11,509**	3,618
			11,935	11,193
			15,852	11,938
	Less: transferred to operating fixed assets		**(13,307)**	(8,021)
			2,545	3,917

4.3 It includes capitalization of borrowing costs amounting to Rs.0.579 million (June 2010 Rs.Nil).

5	**Stores, Spare Parts and Loose Tools**		
	Stores	**193,441**	116,297
	Spares parts	**336,791**	359,113
	Loose tools	**6,398**	6,844
		536,630	482,254
	In transit		
	Spares	**2,039**	4,156
	Coal	**502,052**	446,551
		504,091	450,707
		1,040,721	932,961

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (Un-audited)

	March 31, 2011 Un-audited	June 30, 2010 Audited
6 Stock in Trade	(Rupees in '000)	
Raw material	**15,457**	18,700
Packing material	**33,752**	9,864
Work in process	**98,236**	86,901
Finished goods	**37,919**	16,607
	185,364	132,072

7 Cash and Bank Balances

Includes cheques in hand amounting to **Rs.77.173** million (June 30, 2010: Rs.24.753 million).

8 Authorized Share Capital

March 2011 Un-audited	June 2010 Audited		March 31, 2011 Un-audited	June 30, 2010 Audited
No of Shares in '000			(Rupees in '000)	
300,000	300,000	Ordinary shares of Rs.10/- each	**3,000,000**	**3,000,000**
50,000	50,000	Preference shares of Rs.10/- each	**500,000**	**500,000**
350,000	**350,000**		**3,500,000**	**3,500,000**

9 Issued, Subscribed and Paid up Capital

184,464	184,464	Ordinary shares of Rs.10/= each Fully paid in cash	**1,844,642**	1,844,642
27,617	23,223	Issued as fully paid against outstanding loan liability	**276,165**	232,228
15,068	15,068	Issued as fully paid bonus shares	**150,682**	150,682
227,149	222,755		**2,271,489**	**2,227,552**

9.1 Vision Holding Middle East Ltd(VHMEL), a company incorporated in British Virgin Islands, held 49.085 million ordinary shares of Rs.10/- per share in the Company on June 30,2009.VHMEL has also exercised call option under call and put option agreement with certain shareholders of the Company for acquiring further 57.774 million shares of the Company. The shares under call option have not been transferred to VHMEL till the balance sheet date.

9.2 During the period, the Company has issued 3.006 million and 1.388 million ordinary shares having face value of Rs.10/ per share ,to National Bank of Pakistan and Bank of Punjab respectively, at the rate of Rs.15/-per share under rescheduling and restructuring arrangement against outstanding loan liabilities. The premium of Rs.5/- per share has been shown under capital reserve in the statement of changes of equity.

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (Un-audited)

	March 31, 2011 Un-audited	June 30, 2010 Audited
10 Liabilities against Assets subject to Finance Leases	(Rupees in '000)	
Opening balance	**255,508**	419,288
Less: Payments during the period	**(75,231)**	(163,780)
	180,277	255,508
Less: Current portion of the liability	**(81,985)**	(134,711)
	98,292	120,797
11 Deferred Liabilities		
Deferred Interest / Markup	**115,507**	167,482
Gratuity-Vested contractual workers	**37,073**	33,247
Deferred taxation	**367,733**	287,035
	520,313	487,764
12 Long Term Loans - Secured		
Foreign Currency Loans		
From banking companies and other financial institutions		
Asian Development Bank (ADB) - Japanese Yen	**883,028**	827,850
Asian Finance & Investment Corporation Limited - US Dollar	**276,876**	278,013
	1,159,904	1,105,863
Local Currency Loans		
From banking companies and other financial institutions		
Bankers Equity Limited - Locally Manufactured Machinery (LMM)	**94,999**	105,000
National Bank of Pakistan (NBP)	**222,601**	222,601
National Bank of Pakistan (Former NDFC)	**227,744**	227,744
Industrial Development Bank of Pakistan (IDBP)	**34,275**	42,187
National Bank of Pakistan (NBP)	**312,500**	312,500
The Bank of Punjab (BOP)	**243,000**	250,000
	1,135,119	1,160,032
Less: Current portion	**1,823,839**	1,799,664
	471,184	466,231

12.1 There has been no change in the terms and conditions of these loans as reported in the annual financial statements of the Company for the year ended June 30, 2010.

12.2 During the period, the Company has finalized out of court settlement with official assignee of Bankers Equity Limited. The Honorable High Court of Sindh has granted approval for the same on February 4, 2011. The re-classification of aforesaid settlement has not been accounted for in these condensed interim financial statements.

12.3 The Company is in process of finalizing restructuring of its long-term loans with NBP and has issued a further 3.006 million ordinary shares at Rs. 15/- per share in addition to the 23.223 million ordinary shares of Rs.10/- per share issued during the year ended June 30, 2010 at Rs.15/- per share. The rate of markup ranges between 1 month KIBOR plus 0.5 percent to 1.5 percent.

12.4 During the period, the Company issued 1.388 million ordinary shares of Rs.10/- per share at Rs.15/- to BOP in respect of accrued markup amounting to Rs.20.813 million outstanding as at June 30, 2010. The remaining outstanding principal of Rs.250 million is to be paid by the Company in fifty-seven unequal monthly installments, which commenced from July 31, 2010 and will terminate on March 31, 2015. The terms and conditions of finance agreements, letter of hypothecation, demand promissory note and other documents remain unchanged for the restructured agreement. The rate of markup ranges between 1 month KIBOR plus 0.5 percent to 1.5 percent.

	Note	March 31, 2011 Un-audited	June 30, 2010 Audited
13 Short Term Finances - Secured		(Rupees in '000)	
Meezan Bank Ltd - Murabaha Finance	13.1	**260,562**	399,109
JS Bank Ltd - Finance against Merchandise	13.2	**182,395**	-
		442,957	399,109

13.1 Represents short term murabaha financing obtained by the Company from Meezan Bank Limited. The facility carries profit rate 1.25% above 3 months KIBOR. The facility is repayable up to June, 2011 and is secured against hypothecation charge over current assets of the Company with 25% margin and demand promissory note.

13.2 Represents short term finance obtained during the period under FIM facility from JS Bank Limited. The facility carries profit rate 1.5% above 3 months KIBOR. The facility is repayable within four months from the date of disbursement and is secured against pledge of imported coal stock.

	Note	March 31, 2011 Un-audited	June 30, 2010 Audited
14 Running Finances - Secured		(Rupees in '000)	
National Bank of Pakistan - FE-25	14.1	-	201,851
National Bank of Pakistan - Cash Finance	14.1	**362,870**	298,499
United Bank Limited	14.2	**163,502**	170,502
		526,372	670,852

14.1 The limit of cash finance facility amounting to Rs.300 million was enhanced to Rs.500 million and sub limit under FE-25 facility was discontinued. The outstanding balance of FE-25 facility and demand finance against letter of credit were merged to a new cash finance facility of Rs.500 million. This facility carries markup ranging between the rate of 3 months KIBOR plus 0.5 percent or 1.5 percent. The facility is secured against first joint pari passu charge over current and fixed assets of the Company with 25 percent margin and personal guarantees of sponsoring directors.

14.2 Represents short term cash finance facility up to Rs.200 million obtained from United Bank Limited. 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 raking charge over future stocks and book debts of the Company with 33.33 % margin.

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (Un-audited)

	March 31, 2011 Un-audited	June 30, 2010 Audited
15 Current Portion of Long Term Liabilities	(Rupees in '000)	
Long-term financing	**88,203**	97,518
Long-term loans	**1,823,839**	1,799,664
Liabilities against assets subject to finance lease	**81,985**	134,711
Deferred liabilities	**589,374**	538,045
	2,583,401	2,569,938

15.1 Includes overdue installments aggregating to Rs.1,497,815 (June 30, 2010: Rs.1,296.408 million), Rs.88.203 (June 30, 2010: Rs.97.518 million) and Rs.NIL (June 30, 2010: Rs.27.288 million) in respect of long-term loans, loan-term financing and liabilities against assets subject to finance lease respectively.

16 Contingencies and Commitments

16.1 There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2010 except as disclosed below.

As disclosed in note 27.1.11 to the financial statement for the year ended June 30, 2010, the Bankers Equity Limited (BEL) had filed suit no. B-62/2010 in the Honorable High Court of Sindh (the Court) on May 03, 2010 against the Company and in response to the aforesaid case, the Company on August 06, 2010 had filled an application for leave to defend the aforesaid suit in the Court.

During the period, both parties have agreed on an amicable solution through out of court settlement and the same has been approved by the Court on February 4, 2011.

16.2 Commitments in respect of outstanding letters of credit amount to Rs.12.002 (June 30, 2010: Rs.221.227) million and in respect of bank guarantee issued in favor of Faisalabad Electric Supply Corporation amounting to Rs.26.702 (June 30, 2010: Rs.26.702) million.

16.3 During the period, a shareholder / director of the Company, Mr. Cevdet Dal has filed suit against the Company and certain shareholders in the Court, praying for investigation of price fixation and review of share purchase agreement executed between VHMEL and sponsor shareholders.

The Company has filed response in the Court that it has no role in the share purchase agreement except for transfer of shares to the buyer upon completion of legal formalities.

The consultant / lawyer of the Company is of the view that the aforesaid suit would have no financial exposure to the Company.

17 Gross Turnover

Includes export sales amounting to Rs.744.924 (March 31,2010 Rs.501.527) million.

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (Un-audited)

	Nine months ended March 31, 2011	Nine months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	---------- (Rupees in '000)			----------
18 Cost of Sales				
Raw material consumed	**225,059**	196,947	**76,800**	79,571
Packing material consumed	**333,892**	284,922	**117,524**	107,495
Fuel and power	**2,257,302**	1,776,477	**853,994**	756,795
Stores and spare parts consumed	**97,418**	132,924	**30,282**	44,637
Salaries, wages and benefits	**145,159**	151,480	**46,898**	51,290
Traveling and conveyance	**18,491**	19,216	**6,070**	6,440
Insurance	**6,372**	7,917	**2,150**	2,278
Repairs and maintenance	**20,871**	33,375	**7,742**	10,522
Communication	**407**	1,615	**149**	425
Depreciation	**285,535**	317,092	**96,825**	113,821
Other manufacturing expenses	**6,478**	6,351	**2,158**	1,959
	3,171,925	2,731,369	**1,163,792**	1,095,662
Total cost	**3,396,984**	2,928,316	**1,240,592**	1,175,233
Work in process				
Opening balance	**86,901**	94,847	**67,751**	66,262
Closing balance	**(98,236)**	(130,224)	**(98,236)**	(130,224)
	(11,335)	(35,377)	**(30,485)**	(63,962)
Cost of goods manufactured	**3,385,649**	2,892,939	**1,210,107**	1,111,271
Finished goods				
Opening balance	**16,607**	34,743	**37,454**	35,872
Closing balance	**(37,919)**	(4,068)	**(37,919)**	(4,068)
	(21,312)	30,675	**(465)**	31,804
	3,364,337	2,923,614	**1,209,642**	1,143,075

19 Distribution Cost

Distribution cost include Rs.94.489 million (March 31, 2010: Rs.89.234 million) in respect of export expenses.

	Nine months ended March 31, 2011	Nine months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	---------- (Rupees in '000)			----------
20 Other Operating Expenses				
Exchange losses / (gains) – net	**67,102**	75,351	**(28,940)**	(5,507)
Donations	**-**	48	**-**	-
Others	**-**	2,500	**-**	-
	67,102	77,899	**(28,940)**	(5,507)

20.1 No directors or their spouses have any interest in any donee to whom donations were made.

21 Taxation

Included herein is deferred taxation of Rs.80.698 (March 2010: credit of Rs. 223.348 million) and current taxation of Rs.39.266 (March 2010 Rs.17.071 million).

Notes to the Condensed Interim Financial Statements
For nine months ended March 31, 2011 (Un-audited)

	March 31, 2011 (Rupees in '000)	March 31, 2010 (Rupees in '000)
22 Cash Generated from Operations		
Loss before taxation	**(76,981)**	(616,766)
Adjustments for non cash and other items:		
Depreciation	**297,508**	328,802
Provision for gratuity	**6,439**	7,242
Finance cost	**275,948**	304,258
Profit on disposal of property, plant and equipment	**(910)**	(12)
Exchange losses	**67,102**	66,993
	646,087	707,283
Cash flows before working capital changes	**569,106**	90,517
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	**(107,760)**	(6,512)
Stock-in-trade	**(53,292)**	(9,351)
Trade debts	**(5,220)**	(23,745)
Loans and advances	**(15,583)**	(101,843)
Deposits and prepayments	**(58)**	(216)
Other receivables	**1,409**	5
	(180,504)	(141,662)
(Decrease)/increase in current liabilities:		
Trade and other payables	**100,440**	128,082
Sales tax payable	**2,875**	(23,447)
	103,315	104,635
Cash generated from operations:	**491,917**	53,490

23 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:

	March 31, 2011 (Rupees in '000)	March 31, 2010 (Rupees in '000)
Associated		
First Dawood Investment Bank		
Repayment of lease financing	**530**	9,343
Finance cost paid	**1,000**	21,327
BRR International Modaraba		
Repayment of lease financing	**2,093**	5,635
Finance cost paid	**-**	477
Guardian Modaraba		
Repayment of lease financing	**1,223**	5,915
Finance cost paid	**177**	818
Retirement benefit fund		
Contribution to staff provident fund	**3,926**	3,956
Key management personnel	**25,048**	37,332

24 Corresponding Figures

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

25 Date of Authorization

These condensed interim financial statements were authorized for issue on April 25, 2011 by the Board of Directors of the Company.

26 General

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

Chief Executive Officer

Director