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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: p4l lahore@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:

	2011	July - March Rs. in million	2010
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, AlHamdillillah 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

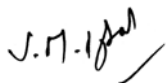
April 25, 2011
Karachi

Condensed Interim Balance Sheet

as at March 31, 2011

	Note	March 31, 2011 Un-audited (Rupees in '000)	June 30, 2010 Audited
ASSETS			
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



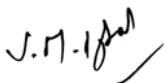
Director

Condensed Interim Profit & Loss Account

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

	Note	Nine months ended March 31,		Quarter ended March 31,	
		2011	2010	2011	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

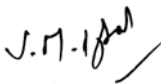


Director

Condensed Interim Statement of Comprehensive Income For the quarter and nine months ended March 31, 2011 (unaudited)

Note	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	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	<u><u>(196,945)</u></u>	<u><u>(410,489)</u></u>	<u><u>(20,038)</u></u>	<u><u>(171,872)</u></u>

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



Chief Executive Officer



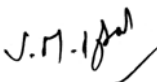
Director

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.

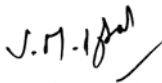

Chief Executive Officer


Director

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

	Issued, subscribed and paid-up capital	Reserves		Total	Total Equity
		Capital Share Premium	Revenue Accumulated Profit		
----- (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 standards 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
4 Property, Plant and Equipment		(Rupees in '000)	
Operating fixed assets	4.1	8,676,231	8,933,987
Capital work-in-progress	4.2	2,545	3,917
		<u>8,678,776</u>	<u>8,937,904</u>
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
		<u>41,441</u>	<u>74,129</u>
Deletions			
Deletion during the period (at book value)		(1,689)	(2,228)
Depreciation			
Depreciation charged during the period		(297,508)	(391,843)
		<u>(299,197)</u>	<u>(394,071)</u>
		<u>8,676,231</u>	<u>8,933,987</u>
4.2 Capital work-in-progress			
Opening balance		3,917	745
Additions:			
Factory buildings		426	7,575
Plant and machinery		11,509	3,618
		<u>11,935</u>	<u>11,193</u>
		15,852	11,938
Less: transferred to operating fixed assets		(13,307)	(8,021)
		<u>2,545</u>	<u>3,917</u>
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
		<u>536,630</u>	<u>482,254</u>
In transit			
Spares		2,039	4,156
Coal		502,052	446,551
		<u>504,091</u>	<u>450,707</u>
		<u>1,040,721</u>	<u>932,961</u>

Notes to the Condensed Interim Financial Statements

For nine months ended March 31, 2011 (Un-audited)

6 Stock in Trade	March 31, 2011	June 30, 2010
	Un-audited	Audited
	(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
	<u>185,364</u>	<u>132,072</u>

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	June 2010		March 31, 2011	June 30, 2010
Un-audited	Audited		Un-audited	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
<u>350,000</u>	<u>350,000</u>		<u>3,500,000</u>	<u>3,500,000</u>

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
<u>227,149</u>	<u>222,755</u>		<u>2,271,489</u>	<u>2,227,552</u>

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)
	<u>180,277</u>	<u>255,508</u>
Less: Current portion of the liability	(81,985)	(134,711)
	<u>98,292</u>	<u>120,797</u>
11 Deferred Liabilities		
Deferred Interest / Markup	115,507	167,482
Gratuity-Vested contractual workers	37,073	33,247
Deferred taxation	367,733	287,035
	<u>520,313</u>	<u>487,764</u>
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
	<u>1,159,904</u>	<u>1,105,863</u>
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
	<u>471,184</u>	<u>466,231</u>

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.

Notes to the Condensed Interim Financial Statements

For nine months ended March 31, 2011 (Un-audited)

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			
Meezan Bank Ltd - Murabaha Finance	13.1	260,562	399,109
JS Bank Ltd - Finance against Merchandise	13.2	182,395	-
		<u>442,957</u>	<u>399,109</u>

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			
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
		<u>526,372</u>	<u>670,852</u>

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
	<u>2,583,401</u>	<u>2,569,938</u>

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 VHMEI 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,		Quarter ended March 31,	
	2011	2010	2011	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
	<u>3,171,925</u>	<u>2,731,369</u>	<u>1,163,792</u>	<u>1,095,662</u>
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)
	<u>(11,335)</u>	<u>(35,377)</u>	<u>(30,485)</u>	<u>(63,962)</u>
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)
	<u>(21,312)</u>	<u>30,675</u>	<u>(465)</u>	<u>31,804</u>
	<u>3,364,337</u>	<u>2,923,614</u>	<u>1,209,642</u>	<u>1,143,075</u>

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,		Quarter ended March 31,	
	2011	2010	2011	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	-	-
	<u>67,102</u>	<u>77,899</u>	<u>(28,940)</u>	<u>(5,507)</u>

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	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	2010
	(Rupees in '000)	
Associated		
First Dawood Investment Bank		
Repayment of lease financing	530	9,343
Finance cost paid	1,000	21,327
	1,530	30,670
BRR International Modaraba		
Repayment of lease financing	2,093	5,635
Finance cost paid	-	477
	2,093	6,112
Guardian Modaraba		
Repayment of lease financing	1,223	5,915
Finance cost paid	177	818
	1,400	6,733
Retirement benefit fund		
Contribution to staff provident fund	3,926	3,956
Key management personnel	25,048	37,332
	28,974	41,288

Notes to the Condensed Interim Financial Statements

For nine months ended March 31, 2011 (Un-audited)

24 Corresponding Figures

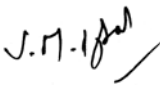
Corresponding figures, wherever necessary, have been rearranged. However, there were no material reclassifications to report.

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