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Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Manzoor Hayat Noon

Managing Director & CEO

Mr. Javed Ali Khan

Non-Executive Directors

Mr. K. Iqbal Talib

Mr. Zaheer Ahmad Khan

Mr. Salman Hayat Noon

Mr. Wajahat A. Baqai (NBP)

Mr. Rafique Dawood (FDIB)

Independent Non-Executive Directors

Mr. Cevdet DAL

Mr. Etrat Hussain Rizvi

Mr. Saleem Shahzada

AUDIT COMMITTEE

Chairman

Mr. Rafique Dawood (FDIB)

Members

Mr. Salman Hayat Noon

Mr. Etrat Hussain Rizvi

Mr. Wajahat A. Baqai (NBP)

CHIEF FINANCIAL OFFICER

Mr. Muhammed Saleem

COMPANY SECRETARY

Syed Anwar Ali

INTERNAL AUDITOR

Mr. Muhammad Zafar Qidwai

STATUTORY AUDITORS

Ford Rhodes Sidat Hyder & Co.

COST AUDITORS

Siddiqui & Co.

LEGAL ADVISORS

Hassan & Hassan

Sayeed & Sayeed

BANKS

The Bank of Punjab

National Bank of Pakistan

Bank Islami Pakistan Limited

The Hong Kong & Shanghai Banking Corporation Ltd.

The Royal Bank of Scotland

Askari Commercial Bank Limited

Bank Al-Habib Limited

Habib Bank Limited

United Bank Limited

MCB Bank Limited

HEAD OFFICE

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Lahore, Pakistan

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WEBSITE

www.pioneercement.com

Directors' Report to the Members

On behalf of the Board of Directors of your Company, I would like to present the financial statements for the half year ended December 31, 2008.

During the period under review, your Company produced 685,068 tons of clinker as compared to 842,765 tons produced in 2007, showing decline of 19% over the same period of last year mainly on account of slump in domestic demand. Cement grinding was regulated in accordance with the demand of cement. During the period 552,507 tons of cement was grounded as compared to the same period of last year (2007:774,420 tons). The demand remained reduced on account of economic meltdown causing decline in the PSDP, higher cost of construction and overall inflationary pressures eating up purchasing power of the masses. Exports however are still very promising. The Company exported 77,153 tons of cement and 139,350 tons of clinker out of the total exports of 216,503 tons. As compared to last year's figure of the same period (2007: 150,717), this reflects a sizeable growth of Exports. The capacity utilization worked out to 69% lower by 18% as compared to 84% achieved during the similar period last year.

During the period under review, Company earned a gross profit of Rs.757.157 million as compared to Rs.168.614 million, the reported gross profit for corresponding period last year showing an improvement of 349%. However, higher exporting expenses mainly due to substantial increase in transportation cost, reduced the reported gross profit to Rs. 389.234 million. Continuous depreciation of Pak Rupee against US\$ and Japanese Yen, the exchange loss reported is Rs.288.508 million for the period. Additionally the hike in KIBOR rates also increased the financial charges to Rs.229.366 million. After these charges on which the Company has no control, the Company sustained loss of Rs. (57,073) million as compared to loss of Rs. (208.029) million for the same period of last year.

The Company initiated a process of restructuring its debts to solve the liquidity problem. This will help the Company to liquidate its excessive current liabilities. It will also help the Company to control its financial costs.

Future Outlook - Local cement dispatches are expected to remain depressed due to slowdown in economy-led construction activities, political instability and social unrest in the country. However, exports are expected to maintain the growth but the export prices are moving downward which will have adverse impact on the export retention which will affect the company margins. India halted its imports of cement from Pakistan and imposed duty on the imports which is the outcome of growing hostilities between two countries.

Expenses are expected to increase for cement manufacturers, due to depreciation of Pakistani rupee which will neutralize the impact of decreasing international coal prices. The government has raised the power tariff by nearly 50% with variable rates for peaks and off peak hours. This will increase the cement manufacturers cost of production.

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

We also acknowledge the dedication of our employees for putting in their best efforts for achieving optimum results for the Company.



Manzoor Hayat Noon
Chairman

Lahore : February 27, 2009

Review Report **to the Members**

Introduction

We have reviewed the accompanying interim condensed balance sheet of Pioneer Cement Limited (the Company) as at 31 December 2008 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of the interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of Review

We conducted our review in accordance with international Standard on Review Engagements 2410. "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

KARACHI: February 27, 2008

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

Interim Condensed Balance Sheet

as at December 31, 2008 (Un-audited)

		December 31, 2008	June 30, 2008
		Rupees in '000'	
	Note	(Unaudited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	9,396,280	9,570,865
Long-term loans – secured		5,799	6,415
Long-term deposits		107,900	108,001
		<u>9,509,979</u>	<u>9,685,281</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		442,730	427,193
Stock-in-trade	5	149,327	68,691
Trade debts – unsecured, considered good	6	41,119	40,124
Loans and advances – considered good		75,161	63,048
Trade deposits and short-term prepayments		608	427
Other receivables		19,562	19,628
Current portion of long-term deposits		15,140	18,290
Taxation – net		39,780	10,724
Cash and bank balances	7	166,015	139,183
		<u>949,442</u>	<u>787,308</u>
TOTAL ASSETS		<u>10,459,421</u>	<u>10,472,589</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid-up capital		1,995,324	1,995,324
Reserves		<u>284,445</u>	<u>310,136</u>
		<u>2,279,769</u>	<u>2,305,460</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax		2,305,518	2,239,856
NON-CURRENT LIABILITIES			
Long-term financing – secured		60,841	76,851
Liabilities against assets subject to finance lease	8	157,962	237,795
Long-term deposits		1,896	1,841
Long-term creditor – unsecured		11,923	15,114
Deferred liabilities		667,043	906,186
Long-term loans – secured		<u>1,456,610</u>	<u>1,701,777</u>
		<u>2,356,275</u>	<u>2,939,564</u>
CURRENT LIABILITIES			
Creditors against expansion project		20,525	29,594
Trade and other payables		937,358	863,265
Accrued interest / mark up		188,306	110,932
Short-term Murabaha – secured	9	27,151	27,151
Short-term Musharaka – secured	10	40,000	40,000
Short-term finances		305,179	311,685
Current portion of long-term liabilities	11	1,978,811	1,597,817
Sales tax – net		<u>20,529</u>	<u>7,265</u>
		<u>3,517,859</u>	<u>2,987,709</u>
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		<u>10,459,421</u>	<u>10,472,589</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.


JAVED ALI KHAN
Chief Executive

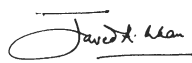

MANZOOR HAYAT NOON
Chairman

Interim Condensed Profit and Loss Account

for the half year ended December 31, 2008 (Un-audited)

	Note	Half year ended December, 31		Quarter ended December, 31	
		2008	2007	2008	2007
(Rupees in '000')					
Gross turnover	13	3,907,705	2,909,040	1,728,103	1,489,347
Excise duty		445,170	541,161	205,933	267,757
Sales tax		405,958	317,967	189,707	163,180
Commission		24,540	24,599	13,159	12,241
		875,668	883,727	408,799	443,178
Net turnover		3,032,037	2,025,313	1,319,304	1,046,169
Cost of sales	14	2,274,880	1,856,699	1,016,164	925,129
Gross profit		757,157	168,614	303,140	121,040
Distribution cost	15	321,974	155,451	103,489	81,304
Administrative expenses		46,813	41,898	22,956	20,740
Other operating income		(864)	(2,472)	(352)	(718)
Finance cost		229,366	209,236	118,438	101,104
Other operating expenses	16	288,508	33,631	144,115	33,623
Loss before taxation		(128,640)	(269,130)	(85,506)	(115,013)
Taxation		71,567	61,101	11,685	28,823
Loss after taxation		(57,073)	(208,029)	(73,821)	(86,190)
----- (Rupees) -----					
Loss per share - Basic and diluted		(0.29)	(1.09)	(0.37)	(0.45)

The annexed notes from 1 to 21 form an integral part of these financial statements.



JAVED ALI KHAN
Chief Executive



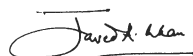
MANZOOR HAYAT NOON
Chairman

Interim Condensed Cash Flow Statement

for the half year ended December 31, 2008 (Un-audited)

	Note	December 31, 2008	December 31, 2007
(Rupees in '000')			
Cash generated from operations	17	614,641	153,009
Income tax paid		(38,272)	(6,026)
Gratuity and compensated absences paid		(1,781)	(18,615)
Dividend paid		(61)	(269)
		(40,114)	(24,910)
Decrease in long-term loans		616	243
Decrease in long-term deposits – net		3,306	(3,750)
Decrease in long-term creditors		(3,191)	-
Net cash inflow from operating activities		575,258	124,592
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(42,877)	(118,377)
Proceeds from sale of fixed assets		417	1,553
Net cash outflow from investing activities		(42,460)	(116,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right share issue		-	356,610
Long-term loans		(127,427)	(142,008)
Long-term finance		(4,657)	(22,685)
Liabilities against assets subject to finance lease - net of repayments		(105,124)	(108,204)
Short-term finance		(6,505)	-
Murabaha finance obtained		-	(45,370)
Musharaka finance		-	341,454
Finance cost paid		(215,367)	(219,854)
Net cash (outflow) / inflow from financing activities		(459,080)	159,943
Net increase in cash and bank balances		73,718	167,711
Cash and bank balances at the beginning of the year		92,297	305,492
Cash and bank balances at the end of the year		166,015	473,203

The annexed notes from 1 to 21 form an integral part of these financial statements.



JAVED ALI KHAN
Chief Executive



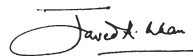
MANZOOR HAYAT NOON
Chairman

Interim Condensed Statement of Changes in Equity

for the half year ended December 31, 2008 (Un-audited)

	Issued, subscribed and paid-up capital	Capital reserve Share Premium	Revenue reserve Accumulated Profit	Total Reserves	Total Equity
(Rupees in "000')					
Balance as at July 01, 2007	1,698,148	-	398,076	398,076	2,096,224
Issue of right shares	297,176	59,435	-	59,435	356,611
Loss for the period after taxation	-	-	(208,029)	(208,029)	(208,209)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period – net of tax	-	-	14,984	14,984	14,984
Balance as at December 31, 2007	1,995,324	59,435	205,031	264,466	2,259,790
Balance as at July 01, 2008	1,995,324	59,435	250,701	310,136	2,305,460
Loss for the period after taxation	-	-	(57,073)	(57,073)	(57,073)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period – net of tax	-	-	31,382	31,382	31,382
Balance as at December 31, 2008	1,995,324	59,435	225,010	284,445	2,279,769

The annexed notes from 1 to 21 form an integral part of these interim condensed financial statements.



JAVED ALI KHAN
Chief Executive



MANZOOR HAYAT NOON
Chairman

Notes to the Interim Condensed Financial Statements for the half year ended December 31, 2008 (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, Alfalah 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.
- 1.3. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to countries such as UAE, Bahrain, Qatar and Afghanistan and evaluating other options such as deferment of loans, debt equity Swap etc.

2. BASIS OF PREPERATION

- 2.1. These interim condensed financial statements are unaudited but subject to limited scope review by auditors 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, 2008.
- 2.2. The figures of the interim condensed profit and loss account for the quarters ended December 31, 2008 and December 31, 2007 and notes forming part thereof have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2008 and December 31, 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for the preparation of these interim condensed financial statements are the same as those applied in preparing the annual financial statements for the year ended June 30, 2008.

		December 31, 2008	June 30, 2008
		Rupees in '000'	
	Note	(Unaudited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	9,299,755	9,508,720
Capital work-in-progress	4.2	96,525	62,145
		<u>9,396,280</u>	<u>9,570,865</u>
4.1. Operating fixed assets			
Additions			
Owned			
Buildings		-	780
Plant and machinery		5,467	48,894
Furniture and fixture		368	1,671
Office equipment		-	2,106
Computer and accessories		758	2,017
Vehicle		1,905	7,256
		<u>8,498</u>	<u>62,724</u>
Deletions			
Owned			
Furniture and fixture		504	2,329
Office equipment		166	34
Computer and accessories		569	2,418
Vehicles		-	2,198
		<u>1,239</u>	<u>6,979</u>

Notes to the Interim Condensed Financial Statements for the half year ended December 31, 2008 (Un-audited)

		December 31, 2008	June 30, 2008
		Rupees in '000'	
	Note	(Unaudited)	(Audited)
4.2 Capital work-in-progress			
Plant and machinery – owned		93,031	61,021
Capital work-in-progress		<u>3,494</u>	<u>1,124</u>
		<u>96,525</u>	<u>62,145</u>
5. STOCK-IN-TRADE			
Raw material		6,515	7,936
Packing material		53,775	35,751
Work in process		57,393	13,068
Finished goods		<u>31,644</u>	<u>11,936</u>
		<u>149,327</u>	<u>68,691</u>
6. TRADE DEBTS - Unsecured, considered good			
Include debtors in respect of export sales amounting to Rs.33.273 (June 30, 2008: Rs.36.260) million.			
7. CASH AND BANK BALANCES			
Includes cheques in hand amounting to Rs.97.225 (June 30, 2008: Rs.62.258) million.			
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Opening balance		486,284	712,017
Less: Payments during the period / year		<u>105,124</u>	<u>225,733</u>
		381,160	486,284
Less: Current portion of the liability		<u>223,198</u>	<u>248,489</u>
		<u>157,962</u>	<u>237,795</u>
9. SHORT-TERM MURABAHA – secured			
Represents overdue balance as at December 31, 2008.			
10. SHORT-TERM MUSHARAKA – secured			
Includes overdue balance amounting to Rs. 30 (June 30, 2008: Nil) million.			
11. CURRENT PORTION OF LONG-TERM LIABILITIES			
Long-term financing	11.1	41,335	29,982
Long-term loans	11.1	1,319,251	968,311
Liabilities against assets subject to finance lease		<u>223,198</u>	248,489
Long-term musharaka finance		50,000	50,000
Deferred liabilities		<u>345,027</u>	<u>301,035</u>
		<u>1,978,811</u>	<u>1,597,817</u>
11.1			
Includes overdue installments amounting to Rs.4.657 (June 30, 2008: Rs.4.657) million and Rs.426.780 (June 30, 2008: Rs.229.698) million in respect of long-term financing and long-term loans respectively.			
12. CONTINGENCIES AND COMMITMENTS			
12.1			
There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2008.			
12.2			
Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs.14.530 (June 30, 2008: Rs.52.240) million.			
13. GROSS TURNOVER			
Includes export sales amounting to Rs.943.373 (December 31, 2007: Rs.455.348) million.			

Notes to the Interim Condensed Financial Statements

for the half year ended December 31, 2008 (Un-audited)

	Half year ended December 31,		Quarter Ended December 31,	
	2008	2007	2008	2007
(Rupees in '000')				
14. COST OF SALES				
Raw material consumed	129,417	174,813	56,012	93,217
Packing material consumed	174,714	170,068	83,250	82,330
Fuel and power	1,600,397	1,189,194	675,264	660,528
Stores and spare parts consumed	89,131	54,488	46,878	32,830
Salaries, wages and benefits	91,289	90,057	43,570	43,577
Travelling and conveyance	10,104	7,075	5,181	3,774
Insurance	4,868	5,325	2,433	2,675
Repairs and maintenance	26,544	22,930	14,276	9,141
Communication	1,144	1,282	564	559
Fee and subscription	872	2,544	402	2,101
Depreciation	207,438	210,479	91,308	102,782
Other manufacturing expenses	2,996	3,026	1,545	1,242
	2,209,497	1,756,468	964,671	941,539
Total cost	2,338,914	1,931,281	1,020,683	1,034,756
Work in process				
Opening balance	13,068	110,599	34,419	75,285
Closing balance	(57,393)	(162,640)	(57,393)	(162,640)
	(44,325)	(52,041)	(22,974)	(87,355)
Cost of goods manufactured	2,294,589	1,879,240	997,709	947,401
Finished goods				
Opening balance	11,935	9,235	50,099	9,504
Closing balance	(31,644)	(31,776)	(31,644)	(31,776)
	(19,709)	(22,541)	18,455	(22,272)
	2,274,880	1,856,699	1,016,164	925,129
15. DISTRIBUTION COST				
Salaries, wages and benefits	13,632	15,628	6,869	7,726
Travelling and conveyance	351	728	162	280
Vehicle running expenses	1,991	1,411	932	592
Communication	1,117	1,582	577	1,021
Printing and stationery	742	681	356	406
Rent, rates and taxes	896	848	427	385
Utilities	784	716	414	314
Repairs and maintenance	870	545	335	232
Legal and professional charges	2,002	1,163	1,404	686
Insurance	413	462	212	237
Fee and subscription	669	570	123	287
Advertisements / sales promotion	2,246	1,684	2,087	926
Freight and handling charges	293,995	127,319	88,421	67,075
Entertainment	431	395	221	231
Depreciation	1,835	1,719	949	906
	321,974	155,451	103,489	81,304

Notes to the Interim Condensed Financial Statements for the half year ended December 31, 2008 (Un-audited)

	Half year ended December 31,		Quarter Ended December 31,	
	2008	2007	2008	2007
(Rupees in '000')				
16. OTHER OPERATING EXPENSES				
Exchange losses - net	288,209	33,590	144,063	33,590
Donations	164	35	52	33
Others	135	6	-	-
	288,508	33,631	144,115	33,623

	Half year ended December 31, December 31, 2008 2007 Rupees in '000'	
	17. CASH GENERATED FROM OPERATIONS	
Loss before taxation	(128,640)	(269,130)
Adjustments for non cash and other items:		
Depreciation	217,043	220,032
Provision for gratuity	-	7,025
Finance cost	229,366	209,237
Profit on disposal of property, plant and equipment	2	(257)
Exchange losses	288,209	33,531
	734,620	469,568
Cash flows before working capital changes	605,980	200,438
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(15,537)	8,830
Stock-in-trade	(80,636)	(92,496)
Trade debts	(995)	(179,926)
Loans and advances	(12,113)	(32,910)
Deposits and prepayments	(181)	(3,344)
Other receivables	66	(48)
	(109,396)	(299,894)
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(9,069)	(207,620)
Trade and other payables	113,862	448,765
Sales tax payable	13,264	11,320
	118,057	252,465
	8,661	(47,429)
	614,641	153,009

Notes to the Interim Condensed Financial Statements for the half year ended December 31, 2008 (Un-audited)

18. 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:

	Half year ended	
	December 31, 2008	December 31, 2007
	(Rupees in '000)	
Associated companies		
First Dawood Investment Bank		
Repayment of lease financing	13,184	11,654
Repayment of Murabaha financing	-	27,200
Finance cost paid	12,965	10,918
BRR International Modaraba		
Repayment of lease financing	5,346	4,747
Finance cost paid	1,500	1,865
Guardian Modaraba		
Repayment of lease financing	5,616	4,980
Finance cost paid	1,725	2,175
DAL Taknit, Turkey		
Payment against purchase of plant and machinery	-	199,212
Retirement benefit fund		
Contribution to staff provident fund	3,156	2,557
Contribution to staff gratuity fund	10,843	-
Key management personnel		
Compensation	21,875	21,257

19. CORRESPONDING FIGURES

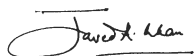
Corresponding figures, wherever necessary, have been rearranged. However, these were no material reclassification to report.

20. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on February 27, 2009 by the Board of Directors of the Company.

21. GENERAL

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



JAVED ALI KHAN
Chief Executive



MANZOOR HAYAT NOON
Chairman