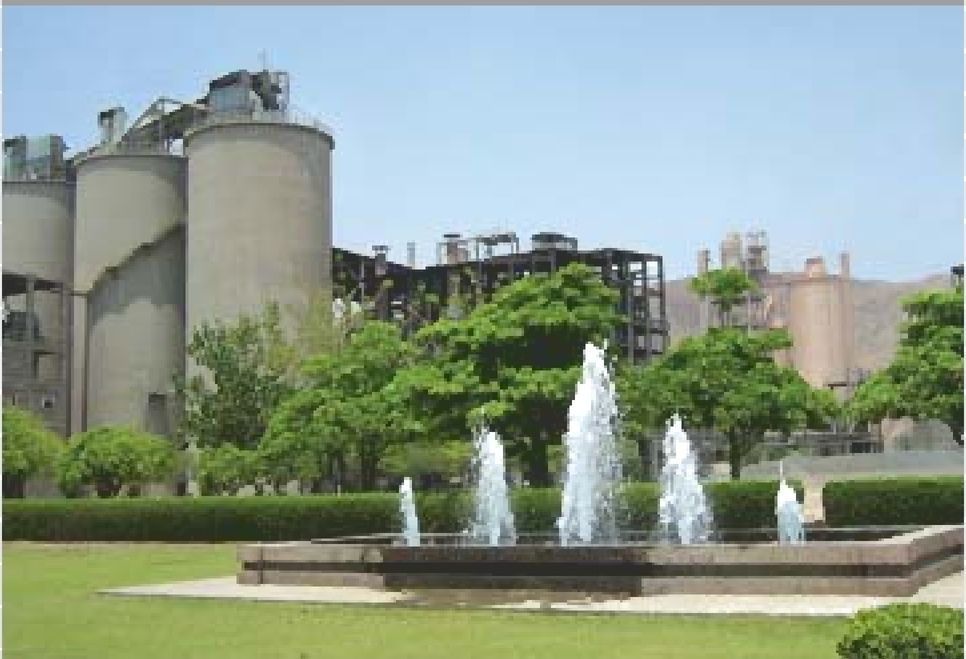
PIONEER
CEMENT LTD.

Enduring Strength

HALF YEARLY ACCOUNTS



FOR THE PERIOD ENDED DECEMBER 31, 2009

Contents

Corporate Information

Board of Directors

Chairman
Mr . Manzoor Hayat Noon

Managing Director & CEO
Mr. Javed Ali Khan

Directors
Mr. Aly Khan
Mr. Nadir Rahman
Mr. William Gordon Rodgers
Mr. Wajahat A. Baqai NBP)
Mr. Rafique Dawood (FDIB)
Mr. Cevdet DAL
Mr. Etrat Hussain Rizvi
Mr. Saleem Shahzada

Audit Committee

Chairman
Mr. Rafique Dawood (FDIB)

Members
Mr. Aly Khan
Mr. William Gordon Rodgers
Mr. Etrat Hussain Rizvi
Mr. Wajahat A. Baqai (NBP)

Chief Financial Officer
Syed Mazher Iqbal

Company Secretary
Syed Anwar Ali

Chief Internal Auditor
Mr. Muhammad Zafar Qidwai

Senior Management

Mr. Javed Ali Khan
Managing Director & CEO

Syed Mazher Iqbal
Executive Director & CFO

Mr. Qaseem N. Siddiqui
Director (Operations)

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

Statutory Auditors
Ernst & Young Ford Rhodes Sidat Hyder

Cost Auditors
Siddiqui & Co.

Legal Advisors
Hassan & Hassan

Bankers
The Bank of Punjab
National Bank of Pakistan
Meezan Bank Limited
The Royal Bank of Scotland
Askari Commercial Bank Limited
Bank Al-Habib Limited
Habib Bank Limited
United Bank Limited
MCB Bank Limited
Hong Kong Shanghai
Banking Corporation

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DIRECTORS' REPORT

The directors of your company are pleased to present the reviewed condensed interim financial statements for the half year ended December 31, 2009.

Industry Overview:

Pakistan's cement industry is currently passing through a difficult period due to various factors such as worldwide economic recession, law and order situation in the country and prolonged unstable political and economic conditions. All these factors have resulted in receding demand for cement. Excess production capacities in depressed market conditions have led to a price war among cement manufacturers striving for market share to sustain their operations. The decline in demand coupled with price war resulted in net retention prices plummeting during the period under review.

The steep reduction in net retention prices together with general increase in input cost, particularly electricity and fuel have played havoc, significantly eroding profitability and sustainability of the cement industry. The impact was pronounced for the manufacturers in the North due to high freight charges which not only affected input cost for imported coal but also reduced margins on sea exports.

Operations Review:

Operating results for the period under review are summarized below:

	Jul-Dec'09 Rs. in million	**Jul-Dec'08** Rs. in million
Net sales	1,778.5	3,032.0
Cost of goods sold	1,780.5	2,274.9
Gross (loss) / profit	(2.0)	757.1
Operating (loss) / profit	(106.1)	388.4
Loss before tax	(388.2)	(128.6)
(Loss) / profit after tax	(238.6)	57.1

The adverse market conditions resulted in decline in clinker production to 518,988 tons as compared to 685,068 tons produced in the same period last year when your Company was able to export 139,350 tons of clinker to UAE, a market which dried up this year due to recession.

Overall, your Company was able to sell 585,931 tons of cement during the six months under review vs. 687,116 tons sold in the corresponding period last year a decrease of 15%. The decline was mainly in exports; though management was able to push domestic sales to achieve a modest increase of 9% to reach 514,453 tons vs. 470,613 tons sold in the corresponding period. However, the ongoing price war resulted in sharp decline of 41% in net sales revenue dropping from Rs.3,032 million in same period last year to Rs.1,779 million. This comprises decline in sales volume by 15%, and decline in net retention price by 31%.

The reduced sales volume in tandem with significant fall in retention price completely eroded the gross profit, resulting in a gross loss of Rs.2 million versus gross profit of Rs.757 million in the same period last year.

It is important to highlight that the reduced retention prices impacted the sales revenue to the tune of Rs.823 million, if we were to assume the average selling prices of similar period last year.

Cost of goods sold has registered a decline of 22%, mainly due to decline in clinker production. An initiative of burning used tyres in addition to coal was started during the last quarter to help reduce input cost.

The cost control and austerity measures helped in overall reduction in expenses whereby admin expenses and distribution cost were reduced from Rs.46.8 million and Rs.322 million respectively in corresponding period to Rs.40.3 million and Rs.64 million respectively. Included in distribution cost are export charges amounting to Rs.44 million compared to Rs.294 million for similar period last year. Significant decrease is due to decline in exports of clinker as mentioned above.

Financial charges declined slightly to Rs.203 million vs. Rs.229 million for same period last year, mainly due to revision in financing arrangements and settlement of certain finance leases. Depreciation of Rupee resulted in an exchange loss of Rs.81 million.

The Company incurred pre-tax loss of Rs.388 million vs. pretax loss of Rs.129 million in corresponding period of last year. However, deferred tax adjustment reduced the after tax loss to Rs.239 million as compared to last year corresponding period after tax profit of Rs.57 million.

Your Company has taken various measures to remove bottlenecks and improve efficiency at Plant. These include homogenization of raw materials for better yield, homogenization of local and imported coal to reduce fuel cost, improvement in cement grinding capacity and efficiency by refurbishing vertical shaft impactor machines at cement mill area and investment in quality spare parts for sustained operation. Moreover, waste heat recovery and alternative fuel projects have also been initiated. Once completed these initiatives will help in cost reduction thus improved profitability.

As reported in March quarter accounts a financial restructuring package was under negotiation with National Bank of Pakistan (NBP). We are pleased to inform that NBP management were kind to understand the current difficult market conditions and have sympathetically revised financing terms resulting in reduction in interest rates and enhancing moratorium period in the repayment schedules. This will not only provide a cash breather in depressing market but will also have a positive impact on the Company's current and debt equity ratios. The effect of restructuring could not be incorporated in these accounts due to legal formalities that are yet to be fulfilled.

The financial restructurings that were started in last quarter with Bank of Punjab and Asian Development Bank are at an advanced stage. These restructurings will further strengthen the financial position of the Company. Meanwhile arrangements have been made for fresh financing from Meezan Bank and United Bank to meet working capital requirements.

The Competition Commission of Pakistan imposed a penalty of Rs. 364 million on the Company for alleged price hike on the back of the cartelization. The Company has filed an appeal in Lahore High Court and believes that decision of Apex Court will InshaAllah be in the favour of the Company.

Future Prospects

The increased government focus on infrastructure development projects coupled with improved macro economic parameters will help enhance cement demand, however much will depend on the law and order situation. Once peace returns, there will be enormous opportunities which will provide impetus to demand of cement.

Realizing the pain of rising trends in prices of major input costs i.e. coal and electricity, your Company is working on alternative fuel in addition to using tyres as fuel along-with coal as mentioned earlier. The management is also considering installation of waste heat recovery project for further reduction in input cost. These measures along with financial restructuring will bode well for the future profitability of your Company.

Additionally, the management is working hard to ensure that the plant works to optimum capacity, in the most cost effective way. Such efforts will result in maintenance cost savings, plus the added benefit of continuous production.

The directors wish to place on record their appreciation for the contribution, continued support and confidence reposed in the Company by all its stakeholders, particularly the lenders and regulators at such a difficult time for the industry.

Manzoor Hayat Noon
Chairman

Karachi: February 22, 2010

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pioneer Cement Limited as at 31 December, 2009 and the related condensed interim profit and loss account and condensed interim statements of comprehensive income, cash flows and changes in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this 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 for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: February 22, 2010

Condensed Interim Balance Sheet
as at December 31, 2009

	Note	December 31, 2009 (Un-Audited)	June 30, 2009 (Audited)
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**9,086,953**	9,254,674
Long-term loans – secured		**5,496**	7,563
Long-term deposits		**52,886**	64,920
		9,145,335	9,327,157
CURRENT ASSETS			
Stores, spare parts and loose tools		**478,115**	506,050
Stock-in-trade	5	**116,949**	146,066
Trade debts – unsecured, considered good		**36,618**	37,402
Loans and advances – considered good		**15,897**	25,202
Trade deposits and short-term prepayments		**538**	613
Other receivables		**19,386**	19,382
Current portion of long-term deposits		**41,680**	45,517
Taxation – net		**77,993**	81,043
Cash and bank balances	6	**56,043**	159,302
		843,219	1,020,577
TOTAL ASSETS		**9,988,554**	10,347,734
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	7	**3,500,000**	2,500,000
Issued, subscribed and paid-up capital		**1,995,324**	1,995,324
Reserves		**194,062**	405,217
		2,189,386	2,400,541
SURPLUS ON REVALUATION OF FIXED ASSETS–net of tax		**2,153,427**	2,180,889
NON-CURRENT LIABILITIES			
Long-term financing – secured		**21,540**	41,191
Liabilities against assets subject to finance lease	8	**158,213**	215,480
Long-term deposits		**1,078**	1,068
Long-term creditor – unsecured		**5,540**	8,731
Deferred liabilities	9	**698,134**	923,120
Long-term loans – secured		**725,158**	1,087,583
		1,609,663	2,277,173
CURRENT LIABILITIES			
Trade and other payables		**617,858**	629,132
Accrued interest / mark up		**321,736**	226,748
Short-term Murabaha – secured	10	**121,795**	-
Short-term finances	11	**473,061**	524,929
Current portion of long-term liabilities	12	**2,490,659**	2,069,927
Sales tax – net		**10,969**	38,395
		4,036,078	3,489,131
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**9,988,554**	10,347,734

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

JAVED ALI KHAN
Chief Executive

MANZOOR HAYAT NOON
Chairman

Condensed Interim Profit and Loss Account
for the half year ended December 31, 2009 (Un-audited)

	Note	Half year ended December 31, 2009	Half year ended December 31, 2008	Quarter ended December 31, 2009	Quarter ended December 31, 2008
		---- (Rupees in '000) ----			
Gross turnover	14	**2,468,701**	3,907,705	**1,045,205**	1,728,103
Excise duty		**375,400**	445,170	**170,230**	205,933
Sales tax		**302,145**	405,958	**125,779**	189,707
Commission		**12,620**	24,540	**4,935**	13,159
		690,165	875,668	**300,944**	408,799
Net turnover		**1,778,536**	3,032,037	**744,261**	1,319,304
Cost of sales	15	**1,780,539**	2,274,880	**861,698**	1,016,164
Gross (loss) / profit		**(2,003)**	757,157	**(117,437)**	303,140
Distribution cost	16	**64,180**	321,974	**30,455**	103,489
Administrative expenses		**40,352**	46,813	**22,340**	22,956
Other operating income		**(4,402)**	(864)	**(1,470)**	(352)
Finance cost		**202,638**	229,366	**96,186**	118,438
Other operating expenses	17	**83,406**	288,508	**(9,289)**	144,115
Loss before taxation		**(388,177)**	(128,640)	**(255,659)**	(85,506)
Taxation	18	**149,560**	71,567	**84,257**	11,685
Loss after taxation		**(238,617)**	(57,073)	**(171,402)**	(73,821)
Loss per share -Basic and diluted		**(1.20)**	(0.29)	**(0.86)**	(0.37)

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

JAVED ALI KHAN
Chief Executive

MANZOOR HAYAT NOON
Chairman

Condensed Interim Statement of Comprehensive Income

for the half year ended December 31, 2009 (Un-audited)

	Half Year Ended December 31,		Quarter Ended December 31,	
	2009	2008	2009	2008
	(Rupees in '000')			
Loss for the period	**(238,617)**	(57,073)	**(171,402)**	(73,821)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss for the period	**(238,617)**	(57,073)	**(171,402)**	(73,821)

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

JAVED ALI KHAN
Chief Executive

MANZOOR HAYAT NOON
Chairman

Condensed Interim Cash Flow Statement
for the half year ended December 31, 2009 (Un-audited)

	Note	Half Year Ended December 31, 2009	2008
		(Rupees in '000)	
Cash generated from operations	19	138,115	614,641
Income tax paid		**(7,373)**	(38,272)
Gratuity and compensated absences paid		**(749)**	(1,781)
Dividend paid		-	(61)
		(8,122)	(40,114)
Decrease in long-term loans to employees		**2,067**	616
Decrease in long-term deposits – net		**15,880**	3,306
Decrease in long-term creditors		**(3,191)**	(3,191)
Net cash inflow from operating activities		**144,749**	575,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(44,997)**	(42,877)
Proceeds from sale of fixed assets		**1,643**	417
Net cash outflow from investing activities		**(43,354)**	(42,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Murabaha finance obtained		**121,795**	-
Long-term loans		**(58,192)**	(127,427)
Long-term finance		-	(4,657)
Liabilities against assets subject to finance lease-net of repayments		**(92,536)**	(105,124)
Short-term finance		**(67,890)**	(6,505)
Finance cost paid		**(107,831)**	(215,367)
Net cash outflow from financing activities		**(204,654)**	(459,080)
Net (decrease) / increase in cash and bank balances		**(103,259)**	73,718
Cash and bank balances at the beginning of the period		**159,302**	92,297
Cash and bank balances at the end of the period		**56,043**	166,015

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

JAVED ALI KHAN
Chief Executive

MANZOOR HAYAT NOON
Chairman

Condensed Interim Statement of Changes in Equity

for the half year ended December 31, 2009 (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, 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)
Other comprehensive income / (loss)	-	-	-	-	-
	1,995,324	59,435	193,628	253,063	2,248,387
Surplus on revaluation of fixed assets realized during the period on account of incremental depreciation charge thereon-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
Balance as at July 01, 2009	**1,995,324**	**59,435**	**345,782**	**405,217**	**2,400,541**
Loss for the period after taxation	-	-	**(238,617)**	**(238,617)**	**(238,617)**
Other comprehensive income / (loss)	-	-	-	-	-
	1,995,324	**59,435**	**107,165**	**166,600**	**2,161,924**
Surplus on revaluation of fixed assets realized during the period on account of incremental depreciation charge thereon – net of tax	-	-	**27,462**	**27,462**	**27,462**
Balance as at December 31, 2009	**1,995,324**	**59,435**	**134,627**	**194,062**	**2,189,386**

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

JAVED ALI KHAN
Chief Executive

MANZOOR HAYAT NOON
Chairman

Notes to the Condensed Interim Financial Statements
for the half year ended December 31, 2009 (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.

2. BASIS OF PREPARATION

2.1. These condensed interim 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, 2009.

2.2. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2009 and December 31, 2008 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, 2009 and December 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

	Note	December 31, 2009 (Un-audited)	June 30, 2009 (Audited)
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**9,079,370**	9,253,929
Capital work-in-progress	4.2	**7,583**	745
		9,086,953	9,254,674

Notes to the Condensed Interim Financial Statements
for the half year ended December 31, 2009 (Un-audited)

	December 31, 2009 (Un-audited)	June 30, 2009 (Audited)
	(Rupees in '000)	
4.1. Operating fixed assets		
Opening book value	**9,253,929**	9,508,720
Additions		
Owned		
Factory buildings	-	114,087
Plant and machinery	**33,658**	12,881
Furniture and fixture	**184**	515
Office equipment	**75**	-
Computer and accessories	**488**	951
Vehicles	**3,755**	1,905
	38,160	130,339
Deletions		
Owned		
Furniture and fixture	**(144)**	(430)
Office equipment	**(66)**	(34)
Computer and accessories	**(36)**	(51)
Vehicles	**(1,400)**	(4,297)
	(1,646)	(4,812)
Depreciation charged during the period	**(211,073)**	(380,318)
	9,079,370	9,253,929
4.2. Capital work-in-progress		
Opening balance	**745**	62,145
Additions:		
Factory buildings	**1,392**	50,665
Plant and machinery	**5,446**	2,603
	6,838	53,268
	7,583	115,413
Less: transferred to operating fixed assets	-	114,668
	7,583	745

5. STOCK-IN-TRADE

Raw material	**6,848**	6,888
Packing material	**7,967**	9,588
Work in process	**66,262**	94,847
Finished goods	**35,872**	34,743
	116,949	146,066

6. CASH AND BANK BALANCES

Includes cheques in hand amounting to Rs.33.210 (June 30, 2009: Rs.81.224) million.

7. AUTHORISED SHARE CAPITAL

December 31, 2009 (Un-audited)	June 30, 2009 (Audited)		December 31, 2009 (Un-audited)	June 30, 2009 (Audited)
(No of share in '000')			(Rupees in '000)	
300,000	200,000	Ordinary shares of Rs.10/- each	**3,000,000**	2,000,000
50,000	50,000	Preference share of Rs.10/-each	**500,000**	500,000
350,000	250,000		**3,500,000**	2,500,000

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

Notes to the Condensed Interim Financial Statements
for the half year ended December 31, 2009 (Un-audited)

	December 31, 2009 (Un-audited)	June 30, 2009 (Audited)
	(Rupees in '000)	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	**419,287**	486,284
Assets acquired during the period	**-**	135,220
	419,287	621,504
Less: Payments during the period / year	**92,536**	202,217
	326,751	419,287
Less: Current portion of the liability	**168,538**	203,807
	158,213	215,480
9. DEFERRED LIABILITIES		
Deferred interest/markup	**249,481**	319,231
Gratuity – vested contractual workers	**29,902**	25,155
Deferred taxation	**418,751**	578,734
	698,134	923,120

10. SHORT-TERM MURABAHA – secured

Represents short-term murabaha financing obtained by the Company from Meezan Bank Limited carrying profit rate 0.75% above 3 to 6 months KIBOR. The facility is repayable upto April, 2010 and is secured against hypothecation charge over assets of the Company with 25% margin and demand promissory note.

	Note	December 31, 2009 (Un-audited)	June 30, 2009 (Audited)
		(Rupees in '000)	
11. SHORT TERM FINANCES			
National Bank of Pakistan – FE-25	11.1	**279,302**	299,982
National Bank of Pakistan – Cash finance account	11.2	**193,759**	-
National Bank of Pakistan – demand finance		**-**	224,947
		473,061	524,929

11.1. The Company obtained a short term facility of US $ 4.60 million which is capped to the extent of Rs.300 million from National Bank of Pakistan for a period of 180 days on roll over basis at a mark-up rate of 3 months LIBOR (US $) plus 6 percent. The facility is secured against lien on export LCs and first pari passu charge over fixed assets with 25% margin.

11.2. During the period, cash finance of Rs. 300 million was enhanced to Rs.500 million by National Bank of Pakistan under restructuring package 2009 vide their letter No.MBK/CPD/PCL/2009/325 dated September 03, 2009 to meet the working capital requirements of the Company. The facility carries markup at the rate of 3 months KIBOR plus 2.25 percent and secured against first joint pari passu charge over current and fixed assets with 25% margin and personal guarantees of sponsoring Directors.

	Note	December 31, 2009 (Un-audited)	June 30, 2009 (Audited)
		(Rupees in '000)	
12. CURRENT PORTION OF LONG-TERM LIABILITIES			
Long-term financing	12.1	**75,978**	56,327
Long-term loans	12.1	**1,800,116**	1,430,362
Liabilities against assets subject to finance lease	12.1	**168,538**	203,807
Deferred liabilities		**446,027**	379,431
		2,490,659	2,069,927

Notes to the Condensed Interim Financial Statements
for the half year ended December 31, 2009 (Un-audited)

12.1. Includes overdue installments aggregating to Rs.28.672 (June 30, 2009: Rs.12.662) million, Rs.967.569 (June 30, 2009: Rs.689.345) million and Rs.15.477 (June 30, 2009: Rs.29.531) million in respect of long-term financing, long-term loans and liabilities against assets subject to finance lease respectively.

13. CONTINGENCIES AND COMMITMENTS

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

The Company has challenged The Federal Board of Revenue in Lahore High Court regarding the application of advance tax payable of Rs.4.9 million under section 235 of the Income Tax Ordinance, 2001, particularly as amended by Finance Act 2008, is confiscatory, hence ultra vires to the Constitution. The Honorable High Court through an order dated 18 June 2009 instructed the respondent not to insist upon the payment of Rs.4.9 million of the income tax along with the electricity bill of the Company till the next date of hearing. On December 22, 2009 the Honorable High Court has decided the case against the Company; however the Company has filed another writ petition No.515/2010 against the recovery of advance income tax. The management anticipates a favorable outcome of this petition.

13.2. Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs.209.091 (June 30, 2009: Rs.14.148) million.

14. GROSS TURNOVER

Includes export sales amounting to Rs. 262.989 (December 31, 2008: Rs. 943.373) million.

	Half Year Ended December 31, 2009	Half Year Ended December 31, 2008	Quarter Ended December 31, 2009	Quarter Ended December 31, 2008
	(Un-audited)			
	(Rupees in '000)			
15. COST OF SALES				
Raw material consumed	**117,376**	129,417	**56,858**	56,012
Packing material consumed	**177,427**	174,714	**84,024**	83,250
Fuel and power	**1,019,682**	1,600,397	**477,653**	675,264
Stores and spare parts consumed	**88,287**	89,131	**47,698**	46,878
Salaries, wages and benefits	**100,190**	91,289	**55,901**	43,570
Travelling and conveyance	**12,776**	10,104	**6,296**	5,181
Insurance	**5,639**	4,868	**2,799**	2,433
Repairs and maintenance	**22,853**	26,544	**14,364**	14,276
Communication	**1,190**	1,144	**627**	564
Fee and subscription	**-**	872	**-**	402
Depreciation	**203,271**	207,438	**99,011**	91,308
Other manufacturing expenses	**4,392**	2,996	**2,007**	1,545
	1,635,707	2,209,497	**790,380**	964,671
Total cost	**1,753,083**	2,338,914	**847,238**	1,020,683
Work in process				
Opening balance	**94,847**	13,068	**80,237**	34,419
Closing balance	**(66,262)**	(57,393)	**(66,262)**	(57,393)
	28,585	(44,325)	**13,975**	(22,974)
Cost of goods manufactured	**1,781,668**	2,294,589	**861,213**	997,709
Finished goods				
Opening balance	**34,743**	11,935	**36,357**	50,099
Closing balance	**(35,872)**	(31,644)	**(35,872)**	(31,644)
	(1,129)	(19,709)	**485**	18,455
	1,780,539	2,274,880	**861,698**	1,016,164

Notes to the Condensed Interim Financial Statements
for the half year ended December 31, 2009 (Un-audited)

	Half Year Ended December 31, 2009	Half Year Ended December 31, 2008	Quarter Ended December 31, 2009	Quarter Ended December 31, 2008
	(Un-audited)			
	(Rupees in '000)			
16. DISTRIBUTION COST				
Salaries, wages and benefits	**10,671**	13,632	**5,522**	6,869
Travelling and conveyance	**182**	351	**29**	162
Vehicle running expenses	**1,020**	1,991	**442**	932
Communication	**838**	1,117	**394**	577
Printing and stationery	**487**	742	**178**	356
Rent, rates and taxes	**933**	896	**440**	427
Utilities	**459**	784	**180**	414
Repairs and maintenance	**478**	870	**78**	335
Legal and professional charges	**2,315**	2,002	**1,479**	1,404
Insurance	**205**	413	**99**	212
Fee and subscription	**203**	669	**100**	123
Advertisements / sales promotion	**166**	2,246	**95**	2,087
Freight and handling charges	**44,662**	293,995	**20,724**	88,421
Entertainment	**370**	431	**192**	221
Depreciation	**1,191**	1,835	**503**	949
	64,180	321,974	**30,455**	103,489
17. OTHER OPERATING EXPENSES				
Exchange losses – net	**80,858**	288,209	**(11,829)**	144,063
Donations	**48**	164	**40**	52
Others	**2,500**	135	**2,500**	-
	83,406	288,508	**(9,289)**	144,115

18. Included herein is deferred taxation of Rs. 159.982 (December 31, 2008: Rs. 80.912) million less current taxation of Rs. 10.422 (December 31, 2008: Rs. 9.345) million.

	Half Year Ended December 31, 2009	Half Year Ended December 31, 2008
	(Un-audited)	
	(Rupees in '000)	
19. CASH GENERATED FROM OPERATIONS		
Loss before taxation	**(388,177)**	(128,640)
Adjustments for non cash and other items:		
Depreciation	**211,073**	217,043
Provision for gratuity	**4,828**	-
Finance cost	**202,638**	229,366
Loss on disposal of property, plant and equipment	**2**	2
Exchange losses	**79,206**	288,209
	497,747	734,620
Cash flows before working capital changes	**109,570**	605,980
Movement in working capital		
Decrease/(Increase) in current assets:		
Stores, spare parts and loose tools	**27,935**	(15,537)
Stock-in-trade	**29,117**	(80,636)
Trade debts	**784**	(995)
Loans and advances	**9,305**	(12,113)
Deposits and prepayments	**74**	(181)
Other receivables	**(3)**	66
	67,212	(109,396)
(Decrease)/increase in current liabilities:		
Trade and other payables	**(11,241)**	104,793
Sales tax payable	**(27,426)**	13,264
	(38,667)	118,057
	28,545	8,661
CASH GENERATED FROM OPERATIONS	**138,115**	614,641

Notes to the Condensed Interim Financial Statements
for the half year ended December 31, 2009 (Un-audited)

20. 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, 2009	Half Year Ended December 31, 2008
	(Un-audited) (Rupees in '000)	
Entities having directors in common with the Company		
First Dawood Investment Bank		
Repayment of lease financing	**1,116**	13,184
Finance cost paid	**14,076**	12,965
BRR International Modaraba		
Repayment of lease financing	**2,741**	5,346
Finance cost paid	**315**	1,500
Guardian Modaraba		
Repayment of lease financing	**5,483**	5,616
Finance cost paid	**672**	1,725
Staff retirement contribution plan		
Contribution to staff provident fund	**2,749**	3,156
Contribution to staff gratuity fund	**-**	10,843
Key management personnel		
Compensation	**27,423**	21,875

21. CORRESPONDING FIGURES

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

22. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on February 22, 2010 by the Board of Directors of the Company.

23. GENERAL

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

Javed A. Khan

JAVED ALI KHAN
Chief Executive

M.H. Noon

MANZOOR HAYAT NOON
Chairman

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