PIONEER
CEMENT LTD.

Enduring Strength

Annual Report 2009

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Vision & Mission

Pioneer Cement Limited is committed to make sustained efforts towards optimum utilization of its resources through good corporate governance for serving the interests of all its stakeholders.

Strategic Goals

Customers' satisfaction

Efficient deployment of resources

Research and development

Maximization of profits

Environmental protection

Core Values

Professional ethics

Respect and courtesy

Recognition of human assets

Teamwork

Innovations and improvement

Business Ethics

Transparency in transactions

Sound business policies

Judicious use of Company's resources

Avoidance of conflicts of interest

Justice to all

Integrity at all levels

Compliance of laws of the land

Quality Policy

Pioneer Cement meets and exceeds the product quality requirements to achieve customer's satisfaction.

Pioneer Cement Limited is committed to produce high quality cement as per International and Pakistan standards. The management ensures that products of Pioneer Cement meet and exceed the product quality requirements to achieve customer's satisfaction.

The Company is committed to abide by all applicable legal and regulatory requirements and shall strive for continual improvement including prevention of pollution by establishing and monitoring of its Quality and Environmental objectives.

The Chief Executive and management are committed to communicate and maintain this policy at all levels of the Company and achieve continual improvement through teamwork.

Environmental Protection

Ensuring environment friendly operations, products and services.

Cement Industry is normally considered to be highly un-friendly to the Environment because of its inherent processes difficulties. However, with the development of technology, our modern plants are equipped with dust collecting equipments which help to reduce the pollution.

Due to conversion from oil firing system to coal firing, there were chances that Pioneer Cement may suffer on account of pollution. The Management realized that for introducing Environmental ethics to meet the challenges, ISO 14001 is the need of the day. Therefore, the Management with the efforts of its employees succeeded in meeting the environmental objectives and targets after evaluating legal requirements, organizational aspects, technological options and other requirements.

The Company acquired the services of Moody International for the assessment of audit. The audit has been carried out successfully and the auditors have recommended Pioneer Cement Ltd. for the Certification against ISO 14001 Environmental Management System. This shows the commitment of the Management of PCL towards environmental protection and prevention of pollution. PCL has been playing its role towards the development of a better society and a better future through continual improvement in the Environmental Management System.

Social Obligations

Pioneer Cement Limited has been giving due importance to its social obligations particularly in areas surrounding the factory:

- Primary Schools of Boys and Girls were constructed in 1995 in Chenki Village and is being managed by the Company.
- A dispensary was established near the factory site to cater the emergency requirements of the workers as well as villagers residing in the vicinity of the factory.
- A mosque has been constructed in Chenki village and is being maintained by the Company.
- Metal road of 15 km length was re-constructed, raised and widened to 30 feet for the residents of Jabbi and Chenki Villages.
- Donations were extended for construction of educational block in District Public School, Khushab.
- Donations were made to employees living in earthquake affected areas and also to the victims of these areas.
- PCL is playing an active role in Khushab District Industrial Association.
- PCL is providing technical support to Vocational Training Institute, Quaidabad.

In addition to fulfilling social obligations in the adjoining areas, the Company also made donations to organizations like TB Centre, Family Support Programmes, Emergency response centre and SOS schools.

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
Mr. Muhammad Saleem

Company Secretary
Syed Anwar Ali

Internal Auditor
Mr . Muhammad Zafar Qidwai

Senior Management

Mr. Javed Ali Khan
Managing Director & CEO

Syed Mazher Iqbal
Executive Director

Mr. Muhammed Saleem
Chief Financial Officer

Mr. Hyder Zaman Akhunzada
Director (Operations)

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

Mr. Muhammed Nadeem Malik
General Manager (Marketing Sales)

Statutory Auditors
Ford Rhodes Sidat Hyder & Co.

Cost Auditors
Siddiqui & Co.

Legal Advisors
Hassan & Hassan
Sayeed & Sayeed

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

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

SALES OFFICES
- Bungalow No. 9, Civil Lines,
  Near Circuit House,
  22, Khalid Bin Waleed Road,
  Sargodha.
  Telephone : 0451-722222
- Office No. B-4, 1st floor,
  Town centre,
  Main Abdara Road,
  University Town, Peshawar.
  Telephone : 091-5840577

WEBSITE www.pioneercement.com

REGISTERED OFFICE / MARKETING OFFICE
1st Floor, AlFalah Building,
Shahrah-e-Quaid-e-Azam,
Lahore, Pakistan.
Telephone (042) 36284820-2
Fax (042) 36284823
Email:pcllahore@pioneercement.com

SHARES DEPARTMENT
66, Garden Block,
New Garden
Town, Lahore, Pakistan.
Telephone (042) 35831462-63
Email: shares@pioneercement.com

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

Seven Years at a Glance

		2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
PRODUCTION & SALES								
Clinker Production	Tons	1,145,094	1,640,092	1,238,168	769,397	690,529	458,545	441,321
Cement Production	Tons	1,033,587	1,492,353	1,263,625	815,231	720,214	483,742	504,947
Cement Sales - Domestic Market	Tons	922,510	1,337,225	1,141,267	716,728	553,461	478,805	503,284
- Export		243,585	447,789	132,284	118,028	166,486	3,100	1,013
		1,166,095	1,785,014	1,273,551	834,756	719,947	481,905	504,297
Capacity Utilization (based on installed capacity)		57%	82%	62%	77%	114%	77%	80%
OPERATING RESULTS:								
Gross Sales	Rs.\Mn.	6,681	6,607	4,649	4,154	2,800	1,958	1,798
Excise Duty & Sales Tax	Rs.\Mn.	1,634	1,705	1,415	1,027	734	614	730
Net Sales	Rs.\Mn.	5,000	4,854	3,185	3,076	2,009	1,323	1,031
Gross Profit	Rs.\Mn.	1,333	513	372	1,231	637	387	114
Net Profit/(Loss) Before Tax	Rs.\Mn.	174	(574)	(184)	933	394	238	(152)
Net Profit/(Loss) After Tax	Rs.\Mn.	36	(179)	(93)	676	332	424	(157)
FINANCIAL POSITION:								
Assets Employed By:								
Operating Assets	Rs.\Mn.	9,255	9,571	7,511	7,683	6,382	3,657	3,648
Current Assets	Rs.\Mn.	1,021	785	966	618	463	395	276
Other Assets	Rs.\Mn.	72	117	133	104	44	223	24
	Rs.\Mn.	10,348	10,473	8,610	8,405	6,888	4,275	3,948
Assets Financed By:								
Shareholders' Equity	Rs.\Mn.	2,401	2,305	2,096	2,322	1,621	545	121
Surplus on Revaluation of Fixed Assets	Rs.\Mn.	2,181	2,240	574	605	629	-	-
Long Term Loan/Deposits	Rs.\Mn.	1,354	2,033	2,930	2,781	2,469	2,107	2,466
Deferred Liabilities	Rs.\Mn.	923	925	937	1,299	1,179	1,239	1,027
Current Maturity	Rs.\Mn.	2,070	1,598	1,151	659	117	196	202
Other Current Liabilities	Rs.\Mn.	1,419	1,372	922	739	872	188	131
		10,348	10,473	8,610	8,405	6,888	4,275	3,948
INVESTORS INFORMATION								
Gross Profit to Sales		26.7%	10.6%	11.7%	40.0%	31.7%	29.2%	11.1%
Net Profit/(Loss) Before Tax to Sales		3.5%	-11.8%	-5.8%	30.3%	19.6%	18.0%	(14.8%)
Net Profit/(Loss) After Tax to Sales		0.7%	-3.7%	-2.9%	22.0%	16.5%	32.1%	(15.3%)
Return on Assets		0.3%	-1.7%	-1.1%	8.0%	4.8%	9.9%	(4.0%)
Return on Paid up Capital		1.8%	-9.0%	-5.5%	41.6%	21.5%	44.5%	(16.5%)
Return on Equity		1.5%	-7.8%	-4.4%	29.1%	20.5%	77.8%	(130.1%)
Inventory Turnover	Times	25.1	63.2	18.7	19.1	24.1	18.4	18.9
Asset Turnover	Times	0.48	0.46	0.37	0.36	0.30	0.31	0.26
Debt\Equity Ratio		23:77	31:69	52:48	48:52	52:48	86:14	97:3
Interest Coverage	Times	1.4	(0.4)	0.5	5.73	4.26	3.03	0.23
Current Ratio without Project Liabilities		0.29	0.27	0.54	0.56	0.92	1.03	0.83
Current Ratio with Project Liabilities		0.29	0.26	0.47	0.44	0.47	-	-
Earning Per Share	Rs.	0.18	-0.93	-0.50	4.16	2.46	3.72	(1.65)
Market Value of Share (KSE)	Rs.	13.58	28.17	37.4	45.65	20.35	20.10	7.50
Price Earning Ratio		75.44	-30.29	-74.80	10.97	8.27	5.40	(4.55)

Notice of Annual General Meeting

Notice is hereby given that the 23rd Annual General Meeting of Pioneer Cement Limited will be held at Prince Hall, opposite Qaddafi Stadium, Ferozepur Road, Lahore on Saturday, 31 October, 2009 at 11:30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the annual general meeting held on 31 October, 2008.

2. To receive, consider and adopt the audited accounts for the year ended 30 June, 2009 and the reports of the directors and auditors thereon.

3. To appoint auditors for the year ending 30 June, 2010 and to fix their remuneration.

4. To transact any other business as may be placed before the meeting with the permission of the Chairman.

SPECIAL BUSINESS

ORDINARY RESOLUTION

5. To consider and if thought fit to pass the following resolutions as Ordinary Resolutions pursuant to Article 21 of the Articles of Association of the Company with or without any amendments:

   RESOLVED that the authorized share capital of the Company be increased by an amount of Rs.1,000,000,000 by addition of 100,000,000 Ordinary Shares of Rs.10/- each.

   FURTHER RESOLVED that Clause V of the Memorandum of Association be altered as under:

   (i) The figure and words "Rs.2,500,000,000/- (Rupees two billion five hundred million only) divided into 200,000,000 (two hundred million) Ordinary Shares of Rs.10/- each and 50,000,000 (fifty million) Preference Shares of Rs.10/-each," be replaced with "Rs.3,500,000,000/- (Rupees three billion five hundred million only) divided into 300,000,000 (three hundred million) Ordinary Shares of Rs.10/- each and 50,000,000 (fifty million) Preference Shares of Rs.10/-each,"

   FURTHER RESOLVED that article 4A of the Articles of Association be altered as under:

   (i) The figure and words "Rs.2,500,000,000/- (Rupees two billion five hundred million only) divided into 200,000,000 (two hundred million) Ordinary Shares of Rs.10/- each and 50,000,000 (fifty million) Preference Shares of Rs.10/-each," be replaced with "Rs.3,500,000,000/- (Rupees three billion five hundred million only) divided into 300,000,000 (three hundred million) Ordinary Shares of Rs.10/- each and 50,000,000 (fifty million) Preference Shares of Rs.10/-each,"

SPECIAL RESOLUTION

6. To consider and if thought fit to pass the following resolution as Special Resolution with or without any amendments:

   RESOLVED that 23,222,813 Ordinary Shares @ Rs.15/- per share including a premium of Rs.5/- per share to rank pari passu in all respect with the existing ordinary shares of the Company and 34,162,600 Preference Shares @ Rs.10/- each on terms and conditions described herein below be issued to National Bank of Pakistan pursuant to the loan re-structuring agreement.

   TERMS AND CONDITIONS OF ISSUE OF PREFERENCE SHARES

   i. The Preference Shares are redeemable within a period of one year from the date of issue.

   ii. Carry cumulative annualized dividend @ 1 year kibor (determined at the time of issue) + 1%.

   iii. If the preference shares are not redeemed as aforesaid, the same will be convertible, alongwith any unpaid dividend, into ordinary shares at market rate prevailing at the time of conversion.

7. The Share Transfer Books of the Ordinary Shares will remain closed from 25 October, 2009 to 31 October, 2009 (both days inclusive) for the purpose of holding the AGM.

By order of the Board
SYED ANWAR ALI
Company Secretary

28th September, 2009

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received by the Company at the registered office not less than 48 hours before the meeting. The shareholders through CDC are requested to bring original NIC/Passport for the purpose of identification to attend the meeting. Representatives of corporate members should bring the usual documents required for such purpose.

2. A statement under section 160(1)(b) of the Companies Ordinance, 1984 with respect to special business contained in the notice of the meeting is attached.

3. The members are requested to notify the change in their address, if any.

STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINCANCE, 1984 WITH RESPECT TO SPECIAL BUSINESS AS CONTAINED IN THE NOTICE OF ANNUAL GENERAL MEETING TO BE HELD ON 31 OCTOBER, 2009

INCREASE IN THE SHARE CAPITAL

The authorized share capital is being increased by addition of 100,000,000 Ordinary Shares to cater for issuance of shares to National Bank of Pakistan as well as to meet future requirements.

Clause V of the Memorandum of Association after the proposed amendment will read as under:

V. The Authorized Capital of the Company is Rs.3,500,000,000/- (Rupees three billion five hundred million only) divided into 300,000,000 (three hundred million) Ordinary Shares of Rs.10/- each and 50,000,000 (fifty million) Preference Shares of Rs.10/- each, with attached thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Ordinance, 1984, and to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may be permitted by the Companies Ordinance, 1984 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.

Article 4A of the Articles of Association after the proposed amendment will read as under:

4A SHARE CAPITAL

The Authorised Capital of the Company is Rs.3,500,000,000/- (Rupees three billion five hundred million only) divided into 300,000,000 (three hundred million) Ordinary Shares of Rs.10/- each and 50,000,000 (fifty million) Preference Shares of Rs.10/- each with such preferred, deferred, or other special rights, or such restrictions, whether in regard to dividend, voting, return of share capital, or otherwise as the Company may from time to time by special resolution determine, and any preference shares may, with the sanction of a special resolution, be issued on the terms that it is, or at the option of the Company is liable to be redeemed.

ISSUE OF SHARES TO NATIONAL BANK OF PAKISTAN

Due to financial restraints the Company was not able to meet its financial obligations towards NBP and generally 3 installments of various loans remained unpaid. The Board is thankful to the management of NBP for considering the loan restructuring package.

The Company will benefit from the restructuring package as its current ratio which had fallen to 0.29 will considerably improve.

INSPECTION OF DOCUMENTS

A copy of the Memorandum and Articles of the Company and a copy of Loan Restructuring Agreement with National Bank of Pakistan are available for inspection at the Company's Registered Office at 1st Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore during the office hours.

INTEREST OF DIRECTORS

The directors of the Company do not have any interest in the resolution that would require disclosure.

Mr. Manzoor Hayat Noon
Chairman

Chairman's Review and Directors' Report

It gives me pleasure to present a review and the directors' report to the shareholders for financial Year ended 30 June, 2009 together with the company's audited financial statements.

Industry Overview:

Like other sectors of the economy, cement sector has passed through a turbulent period and suffered losses as country cement demand has plunged by 15% for the period under review. The local demand of cement declined to 19.3 million tons due to rising trade deficit, reduction in Public Sector Development Program (PSDP) turbulence and terrorism in the NWFP province coupled with tightening of monetary policy by the State Bank of Pakistan (SBP). However, the decline in local demand was mitigated by exports which reached 11.3 million tons, a healthy increase of 47 percent over last year. Now Pakistan is ranked 5th in the world's cement exports, narrowly missing the 4th position enjoyed by Turkey with exports of 11.6 million tons. Pakistan achieved this position because of high demand of cement in nearby countries and by capturing new markets such as African countries, Qatar & Iraq.

Overall cement plants in Pakistan operated at 80 percent capacity utilization as compared to 81 percent utilization in the previous financial year.

Performance of the Company:

By the grace of Almighty Allah, despite depressed business environment, your Company was able to achieve a modest profit after tax of Rs.36 million as compared to a loss of Rs.180 million in the last year. The profitability of the Company is mainly attributable to the increased selling prices fetched during the year coupled with the substantial decline in prices of imported coal after attaining a peak at US$ 204 per ton in July 2008.

Gross profit for the year amounting Rs.1,333 million is 27% of net sales revenue which is higher by Rs.820 million compared to last year. Similarly, Profit before tax of Rs.174 million is a remarkable achievement compared to the mammoth after tax loss of Rs.574 million posted in last year. The Company has achieved this improvement in profitability despite a massive exchange loss of Rs.263 million on account of devaluation of Pak-rupee as against an exchange loss of Rs.149 million in last year. Financial cost has also risen by a modest 9% over last year due to increase in lending rates by SBP.

Cement production during the year under review has fallen to 1,033,587 tons compared to 1,492,353 tons in last year, a drastic decrease of 30.7% due to depressed local demand and inability to secure export orders. Capacity utilization was at abysmal low at 57% compared to 82% in the last year.

Overall volumetric sales have declined to 1,166,095 tons as against 1,785,014 tons sold during the last year. It comprised 922,510 tons local sales and 243,585 tons export as against 1,337,224 tons local sales and 447,790 tons exports dispatched during last year.

Future Outlook

Future prospect of the cement industry is dependent on the improvement in the economy and law and order situation. The economy is showing signs of improvement as economic indicators are gradually encouraging, the core inflation is showing declining trend and SBP has also slashed bench mark lending rate.

Local demand is expected to pickup from next fiscal year as the government has announced various infrastructure development programs i.e. small and medium size dams, public housing schemes in big cities, network of roads and bridges. As per recent media reports, the government may allocate Rs.400 billions as PSDP outlay for the next year as against Rs.200 billions restricted for the current fiscal year. Construction work in Malakand and Swat area shall also help increase local demand of cement.

Contribution to National Exchequer

Your company has contributed Rs.1,633.669 million to the National Exchequer during the year under review in the shape of Excise Duty and Sales Tax alone.

Corporate Social Responsibilities

The company firmly believes that Corporate Sector should play an active role in discharging its responsibilities towards society. The additional earnings expected from the improvement in local demand will enable the management to make the required headway in this direction.

Provident Fund / Gratuity Scheme

The company has been maintaining Provident Fund, which has been duly recognized by the Tax Authorities. In addition Company is also providing unfunded Gratuity facility to its contracted employees.

Business Ethics

The board has adopted the Statement of Business Ethics and Practices. All employees are informed of this statement and are required to follow them in all their business dealings.

Board of Directors

During the current financial year Mr. K. Iqbal Talib, Mr. Salman Hayat Noon and Mr. Zaheer A. Khan have resigned and the casual vacancies have been filled up by appointment of Mr. Aly Khan, Mr. Nadir Rahman and Mr. William Gordon Rodgers.

Audit Committee

The audit committee appointed by the Board consists of five non-executive directors. The committee has been supervising the internal controls of the company through internal audit department and reviews the financial statements before they are published.

Corporate and Financial Reporting Framework

The Board reviews the Company's strategic direction on regular basis. The business plan and budgetary targets, set by the Board are also reviewed regularly. The Board is committed to maintain a high standard of corporate governance and ensure full compliance of the code of corporate governance enforced by the securities & exchange commission of Pakistan through listing rules of stock exchanges where the shares of the company are traded.

Your directors are pleased to report that:

a) The financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flow and change in equity.

b) Proper books of accounts have been maintained by the company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standard as applicable in Pakistan, have been followed in preparation of financial statements.

e) The existing internal control system and procedure are continuously reviewed by the internal auditors. The process of review will continue by the audit committee to monitor the effective implementation.

f) There are no significant doubts upon the company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation of stock exchanges.

h) Key operating and financial data of last seven years annexed.

i) The un-audited value of investment of provident fund as on June 30, 2009 is Rs. 55 million.

Board Meetings

Five board meetings were held during the year which were attended by the Directors, as under:

No. of Meetings Attended	During The Year
Mr. Manzoor Hayat Noon	4
Mr. Javed Ali Khan	5
Mr. K. Iqbal Talib	2
Mr. Zaheer Ahmad Khan	1
Mr. Salman Hayat Noon	4
Mr. Cevdet Dal	1*
Mr. Etrat Hussain Rizvi	5
Mr. Saleem Shahzada	2
Mr. Rafique Dawood	5
Mr. Wajahat A. Baqai	3

*The meeting was attended by Mr. Muhammed Saleem as alternate director.

Shareholding

Aggregate Number of Shares held by:

NAME	OWN SELF	SPOUSE	MINOR CHILDREN
Mr. Manzoor Hayat Noon	39,230,453	38,650	NIL
Mr. Javed Ali Khan	42,872	NIL	NIL
Mr. K. Iqbal Talib	1,175,000	NIL	NIL
Mr. Zaheer Ahmad Khan	10,830	NIL	NIL
Mr. Salman Hayat Noon	77,367	NIL	NIL
Mr. Cevdet Dal	2,587,640	NIL	NIL
Mr. Etrat Hussain Rizvi	8,000	NIL	NIL
Mr. Saleem Shahzada	423,687	NIL	NIL
Mr. Rafique Dawood(FDIBL)	19,340	NIL	NIL
Mr. Wajahat A. Baqai(NBP)	NIL	NIL	NIL
i) Executives:	199,497	NIL	NIL

ii) Shareholders holding more than 10% of the total issued capital:

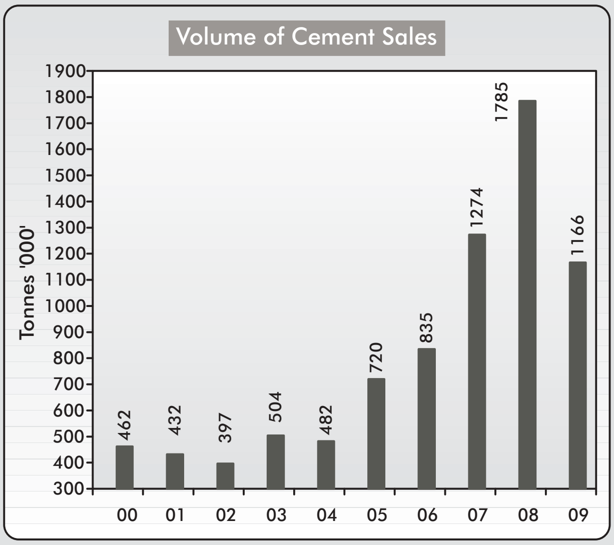
Mr. Manzoor Hayat Noon	39,230,453 shares
Vision Holdings Middle East Ltd.	49,084,872 shares

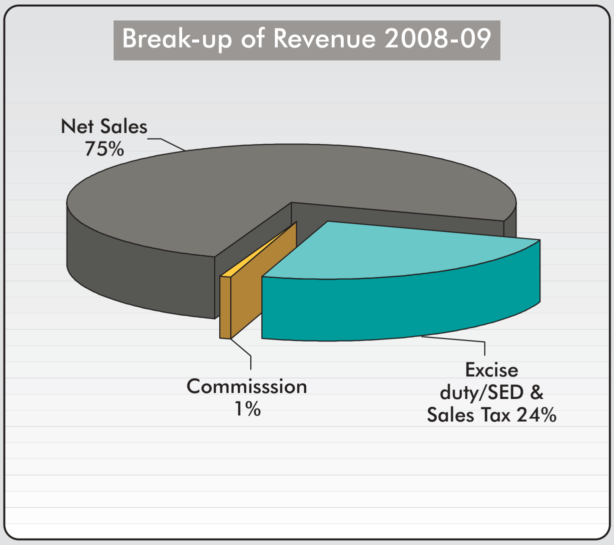
iii) Trading in the shares by the Directors, CEO, CFO and Company Secretary

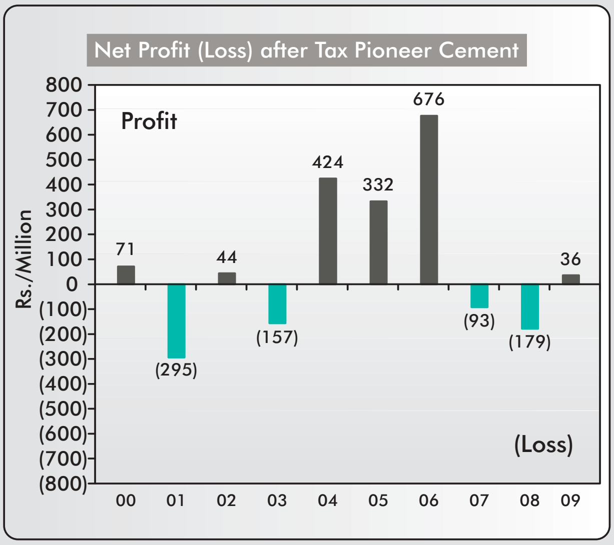
	Sale	Purchase
Mr. Manzoor Hayat Noon	42,084.872	
Mr. Javed Ali Khan	2,400,000	
Mr. Saleem Shahzada		407,444

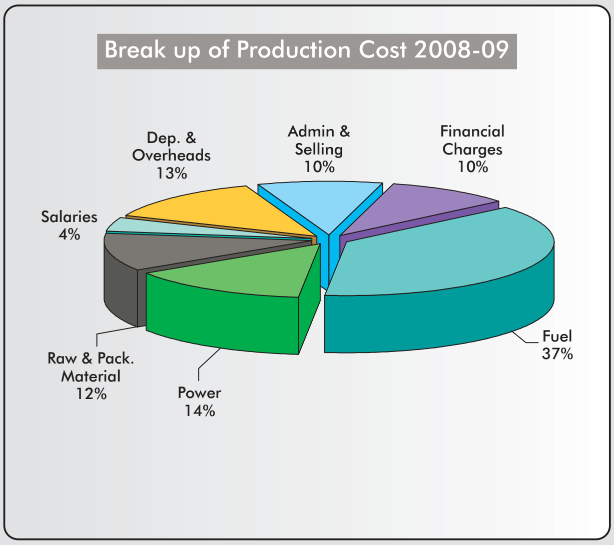
iv) Shareholding of CEO in associated company's shareholding as at 30.06.2009.

	Name of Associated Companies	No of Shares
1.	Noon Sugar Mills Ltd	83
2.	Noon Pakistan Ltd	5,232
3.	Noon Pakistan Ltd-Non voting ordinary shares	720









Human Capital

The Company recognizes that its human resource is the most valuable asset. Special care is taken to reward those who are serving the Company and to create well conducive environment for others to perform better. Human resources are at the heart of our core values which were approved by the board in prior years.

Health, Safety and Environment

The management took up this project in the year 2002 and achieved ISO 14001 Certification from Moody International Certification Ltd. The environment and safety aspects are at the core of management priorities.

Dust Emission

33 Dust Collectors installed at plant are working very efficiently.

Gaseous Emission

During coal conversion, 3rd generation coal firing burner was selected which consumes less primary air thus reducing the environmental pollution by lower Nitrogen Oxide and Carbon Monoxide emission. An electrostatic precipitator is installed which also reduces dust pollution.

Noise

Noise pollution is an inherent problem with the cement manufacturing plants, therefore protective gadgets have been provided to the employees for protection against noise.

Safety

Safety and health protection devices have been developed which monitor these aspects and point out the potential hazards. Theses are reviewed and all necessary preventative measures are taken to avoid accidents.

Auditors

M/s Ford Rhodes Sidat Hyder & Co. being the retiring auditors has offered their services for another term.

Acknowledgement

We give high value to customer's satisfaction. We would like to express our thanks to our customers for their confidence in our quality and assure that the company will continue to supply quality cement to our customers.

We are grateful to all the lenders namely Asian Development Bank, Asian Finance & Investment Corporation Ltd., National Bank of Pakistan, Bankers Equity Ltd., Industrial Development of Pakistan, Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd. and Bank Of Punjab for their support and cooperation with the Company.

Thanks are due to the dealers, contractors and suppliers for their continued support, trust and cooperation. We also appreciate our employees for their dedication, loyalty and hard work.

Mr. Manzoor Hayat Noon
Chairman

Compliance with Best Practices of Transfer Pricing

The Company has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges in Pakistan.

On Behalf of the Board

Javed Ali Khan
Chief Executive

28th September, 2009 Karachi

Compliance With Best Practices of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

2. The Company encourages representation of independent non-executive directors. At present the Board includes nine non-executive directors. The number of executive directors of the Company including Chief
Executive Officer is not more than 75% of total number of directors which is ten (10).

3. Although the two (02) nominated directors on the Board of the Company may not technically qualify as independent directors, they certainly qualify the test prescribed in the Code and they do exercise independent business judgments.

4. The Directors of the Company have confirmed that none of them is serving as a Director in ten (10) other listed companies.

5. All the resident directors of the Company are registered as tax payers, whereas the condition of being a Registered Tax Payer in Pakistan does not apply to foreign nationals and non-resident Pakistanis. None of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

6. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and officers of the Company.

7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The complete record of particulars of significant policies along with the dates on which they were approved / amended has been maintained.

8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

9. The meetings of the Board are presided over by the Chairman whenever present. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were appropriately circulated at least (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated within thirty (30) days.

10. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities. The Board has been given a presentation on the Code.

11. The Board has confirmed the appointments of Chief Financial Officer and Chief Internal Auditor, including their remuneration and terms & conditions of employment, as recommended by the CEO.

12. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with the corporate and financial reporting requirements of the Code.

16. The Board has formed an Audit Committee (BAC), it comprises of four members, all of whom are non-executive directors.

17. The meetings of the Board's Audit Committee (BAC) were held at least every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been framed & approved by the Board and the Committee was duly informed for compliance.

18. The Board has set up an effective internal audit function.

19. The transactions with related parties are placed before the Board of Directors and Board Audit Committee for review and approval. A complete party-wise record of related party transactions has been maintained by the Company.

20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

22. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS.

JAVED ALI KHAN
Chief Executive

28th September, 2009 Karachi

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June, 2009 prepared by the Board of Directors of Pioneer Cement Limited to comply with the Listing Regulations No. 37(Chapter XI) [now Regulation 35 Chapter XI] of the Karachi Stock Exchange (Guarantee) Limited, Clause 45 (Chapter XIII) [now Regulation 37 Chapter XI] of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 45 (Chapter XI) [now Regulation 37 Chapter XI] of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 [now Regulation 35] notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the company to place before the board of directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended 30 June, 2009.

Ford Rhodes Sidat Hyder & Co.

CHARTERED ACCOUNTANTS

Date: 28th September, 2009
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of Pioneer Cement Limited (the Company) as at 30 June, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   i) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 28th September, 2009 Karachi

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009	2008
		(Rupees in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**9,254,674**	9,570,865
Long-term loans – secured	5	**7,563**	8,721
Long-term deposits	6	**64,920**	108,001
		9,327,157	9,687,587
CURRENT ASSETS			
Stores, spare parts and loose tools	7	**506,050**	427,193
Stock-in-trade	8	**146,066**	68,691
Trade debts – unsecured, considered good	9	**37,402**	40,124
Loans and advances – considered good	10	**25,202**	60,742
Trade deposits and short-term prepayments	11	**613**	427
Other receivables	12	**19,382**	19,628
Current portion of long-term deposits	6	**45,517**	18,290
Taxation – net		**81,043**	10,724
Cash and bank balances	13	**159,302**	139,183
		1,020,577	785,002
TOTAL ASSETS		**10,347,734**	10,472,589
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	14	**2,500,000**	2,500,000
Issued, subscribed and paid-up capital	15	**1,995,324**	1,995,324
Reserves		**405,217**	310,136
		2,400,541	2,305,460
SURPLUS ON REVALUATION OF FIXED ASSETS – net of tax	16	**2,180,889**	2,239,856
NON-CURRENT LIABILITIES			
Long-term financing – secured	17	**41,191**	76,851
Liabilities against assets subject to finance lease	18	**215,480**	237,795
Long-term deposits	19	**1,068**	1,841
Long-term creditor – unsecured	20	**8,731**	15,114
Deferred liabilities	21	**923,120**	924,595
Long-term loans – secured	22	**1,087,583**	1,701,777
		2,277,173	2,957,973
CURRENT LIABILITIES			
Trade and other payables	23	**629,132**	874,450
Accrued interest / mark up		**226,748**	110,932
Short-term Murabaha – secured	24	-	27,151
Short-term Musharaka – secured	25	-	40,000
Short-term finances	26	**524,929**	311,685
Current portion of non-current liabilities	27	**2,069,927**	1,597,817
Sales tax – net		**38,395**	7,265
		3,489,131	2,969,300
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		**10,347,734**	10,472,589

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE	**CHAIRMAN**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in '000')	
Gross turnover	29	**6,680,759**	6,607,418
Excise duty [including special excise duty Rs.40,057,123/- (2008: Rs.34,456,911/-)]		**861,491**	1,037,376
Sales tax		**772,178**	667,291
Commission		**46,855**	48,987
		1,680,524	1,753,654
Net turnover		**5,000,235**	4,853,764
Cost of sales	30	**3,667,343**	4,340,151
Gross profit		**1,332,892**	513,613
Distribution cost	31	**359,975**	466,047
Administrative expenses	32	**97,654**	89,978
Other operating income	33	**(28,047)**	(30,630)
Finance cost	34	**451,465**	413,203
Other operating expenses	35	**277,539**	149,029
Profit / (loss) before taxation		**174,306**	(574,014)
Taxation	36	**(138,192)**	394,043
Profit / (loss) after taxation		**36,114**	(179,971)
		(Rupees)	**(Rupees)**
Earning / (loss) per share - Basic and diluted	37	**0.18**	(0.93)

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in '000')	
Cash generated from operations	41	**980,573**	556,998
Income tax paid		**(80,426)**	(13,625)
Gratuity and compensated absences paid		**(2,760)**	(46,147)
Dividend paid		**(60)**	(349)
		(83,246)	(60,121)
Increase/(decrease) in long-term loans		**1,157**	988
Decrease in long-term deposits – net		**15,081**	(1,431)
Net cash inflow from operating activities		**913,565**	496,434
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(68,940)**	(185,482)
Proceeds from sale of fixed assets		**5,397**	3,449
Net cash outflow from investing activities		**(63,543)**	(182,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right share issue		**-**	356,611
Long-term loans		**(382,681)**	(358,578)
Long-term finance		**(9,315)**	(59,821)
Proceeds from Murabaha finance		**-**	(72,570)
Liabilities against assets subject to finance lease - net of repayments		**(202,217)**	(225,733)
Short-term finance		**207,046**	299,991
Musharaka finance		**-**	40,000
Finance cost paid		**(395,850)**	(507,496)
Net cash outflow from financing activities		**(783,017)**	(527,596)
Net increase / (decrease) in cash and bank balances		**67,005**	(213,195)
Cash and cash equivalents at the beginning of the year		**92,297**	305,492
Cash and cash equivalents at the end of the year		**159,302**	92,297
Cash and cash equivalents comprise:			
Cash and bank balances	13	**159,302**	139,183
Book overdraft	23	**-**	(46,886)
		159,302	92,297

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid-up Capital	Capital reserve Share Premium	Revenue reserve Accumulated profit	Total reserves	Total Equity
	(Rupees in '000')				
Balance as at June 30, 2007	1,698,148	-	398,076	398,076	2,096,224
Issue of right share	297,176	59,435	-	59,435	356,611
Loss for the year after taxation	-	-	(179,971)	(179,971)	(179,971)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on Related assets for the year – net of tax	-	-	32,596	32,596	32,596
Balance as at June 30, 2008	**1,995,324**	**59,435**	**250,701**	**310,136**	**2,305,460**
Profit for the year after taxation	**-**	**-**	**36,114**	**36,114**	**36,114**
Surplus on revaluation of fixed assets realized through incremental depreciation charged on Related assets for the year – net of tax	**-**	**-**	**58,967**	**58,967**	**58,967**
Balance as at June 30, 2009	**1,995,324**	**59,435**	**345,782**	**405,217**	**2,400,541**

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

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. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of preparation

These financial statements have been prepared under the historical cost convention except for the Company's freehold land, plant and machinery and coal firing system are stated at revalued amounts as referred to in notes 3.5 and 4.1.

3.2. Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Amended)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009
IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge Items	July 01, 2009
IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 – Business Combinations (Revised)	July 01, 2009
IFRS 7 - Improving disclosures about Financial Instruments (Amended)	January 01, 2009
IFRS 8 – Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 – Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009
IFAS 2 – Ijarah	January 01, 2009

The Company expects that the adoption of the above standards and interpretations either not relevant or will have no material impact on the Company's financial statements in the period of initial application other than as stated below:

IAS 1 “Presentation of Financial Statements”. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, 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 recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the above may require certain additional disclosures in the Company’s financial statements.

In addition to the above, amendments (2008 Annual improvements to IFRS) to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The management is currently evaluating the impact of such amendments on the Company's financial statements for the ensuing periods.

3.3. Standards adopted during the year

During the year, the Company has adopted IFRS 7 “Financial Instruments – Disclosures”, which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 9 “IAS 39 Amendment - Embedded Derivatives”, IFRIC 12 “Service Concession Arrangements”, IFRIC 13 “Customer Loyalty Programmes” and IFRIC 14 “IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions” also became effective during the year. However, these interpretations do not affect the Company’s financial statements.

3.4. Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company’s accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effective. In the process of applying the Company’s accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

(a) recognition of taxation and deferred tax (note 3.15);
(b) determining the residual values and useful lives of property, plant and equipment (note 3.5);
(c) accounting for post employment benefits (note 3.12);
(d) impairment of inventories / adjustment of inventories to their net realizable value (note 3.7); and
(e) provision for doubtful debts / other receivables (note 3.8).

3.5. Property, plant and equipment

3.5.1. Operating fixed assets

Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for factory building and plant and machinery which are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any, however, freehold land is stated at revalued amount.

Depreciation is calculated at the rates specified in note 4.1 to the financial statements on straight line method except plant and machinery and coal firing system on which depreciation is charged on the basis of units of production method. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Assets' residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of assets, if any, are included in the profit and loss account.

Assets subject to finance lease

These are stated initially at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account. Depreciation is charged to profit and loss account applying the same basis as for owned assets.

3.5.2. Capital work in progress

These are stated at cost. It consists of expenditures incurred and advances paid in respect of fixed assets in the course of their construction and installation.

3.6. Stores, spare parts and loose tools

These are valued at lower of moving average cost and net realizable value, except for furnace oil and coal which are valued at average cost. Cost comprises invoice value and other direct costs but excludes borrowing costs. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.7. Stock-in-trade

These are stated at the lower of cost and net realizable value. The methods used for the calculation of cost are as follows:

i)	Raw and packing material	- at average cost comprising of purchase price, transportation and other overheads.
ii)	Work in process and finished goods	- at average cost comprising quarrying cost, transportation, government levies, direct cost of raw material, labour and other manufacturing overheads.

Net realizable value signifies estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

3.8. Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. A provision for doubtful debts/other receivables is based on the management's assessment of customers' credit worthiness. The amount of the provision is recognised in the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

3.9. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and current, PLS and deposit accounts with commercial banks net of book overdraft.

3.10. Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

3.11. Long-term and short-term borrowings

These are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are disclosed as accrued interest/mark-up to the extent of the amount remaining unpaid.

3.12. Employees' benefits

Defined benefit plan

The Company operates gratuity scheme as follows:

Permanent employees

The Company operates a funded gratuity scheme for all its permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee, subject to the completion of minimum qualifying period of service. Contributions are made to the fund on the basis of actuarial recommendations. As at the balance sheet date, the gratuity scheme has been terminated.

Contractual workers

The Company also operates unfunded gratuity scheme for its contractual workers. The charge has been made on the basis of actuarial recommendations.

Defined contribution plan

The Company also operates an approved contributory provident fund for all its permanent employees who have completed the minimum qualifying period of service and equal monthly contributions are made both by the Company and the employees at the rate of 10 percent of basic salary.

Compensated absences

Accrual for compensated absences is made to the extent of the value of accrued absences of the employees at the balance sheet date using their current salary levels.

3.13. Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services whether billed or not.

3.14. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.15. Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any in accordance with Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognised for all taxable temporary differences and deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against these can be utilised. The Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

3.16. Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange approximating those prevailing at the balance sheet date. Any resulting gain or loss arising from changes in exchange rates is taken to profit and loss account.

3.17. Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired. Any gain / (loss) on the recognition and derecognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

3.18. Derivative financial instruments

These are recognised in the balance sheet at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

Any gains or losses arising from change in fair value of derivative that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

3.19. Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off set.

3.20. Revenue recognition

- Revenue from sale is recognised when the significant risks and rewards of ownership of the goods have passed to the customers, which coincide with the dispatch of goods to customers.
- Return on bank deposits is recognised on time proportion basis.
- Scrap sales are recognised on physical delivery to customer.
- Other revenues are accounted for on accrual basis.

3.21. Borrowing costs

Borrowing costs incurred on finances obtained for qualifying assets are capitalized upto the commencement of commercial production of the respective assets. All other borrowing costs are charged to profit and loss account as and when incurred.

3.22. Impairment

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

3.23. Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3.24. Related party transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Ordinance.

	Note	2009	2008
		(Rupees in '000')	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**9,253,929**	9,508,720
Capital work-in-progress	4.2	**745**	62,145
		9,254,674	9,570,865

4.1. Operating fixed assets

	Note	COST / REVALUATION As at July 01, 2008	Additions/ transfers	Revaluation/ reclassification (note 4.1.1)	Disposals/ transfers	As at June 30, 2009	Rate %	ACCUMULATED DEPRECIATION As at July 01, 2008	Disposals/ transfers	For the year	As at June 30, 2009	WRITTEN DOWN VALUE As at June 30, 2009
		----------------------		(Rupees in '000')	----------------------			----------------------		(Rupees in '000')	----------------------	
Owned												
Freehold land	4.1.1	60,736	-	-	-	60,736	-	-	-			60,736
Factory building on freehold land	4.1.1	1,578,622	*114,087	-	-	1,692,709	5	504,923	-	79,406	584,329	1,108,380
Office building		14,830	-	-	-	14,830	10	14,218	-	65	14,283	547
Roads and quarry development		56,008	-	-	-	56,008	20	25,204	-	11,202	36,406	19,602
Plant and machinery line I	4.1.1	5,076,669	5,467	-	-	5,082,136	Units of production method based on 25 years life	1,886,978	-	142,514	2,029,492	3,052,644
Plant and machinery line II	4.1.1	3,691,539	7,414 ****84,900**	- -	****134,714 -	3,649,139	Units of production method based on 20 years life	80,123	****3,242** **** (6,556)	91,335	168,144	3,480,995
Coal firing system	4.1.1	297,709	**74,179	-	-	371,888	Units of production on method based 15 years life	93,586	**14,036	9,901	117,523	254,365
Furniture and fixture		26,382	515	-	1,129	25,768	10	18,044	(699)	1,014	18,359	7,409
Office equipment		14,221			244	13,977	10	9,256	(211)	629	9,674	4,303
Computers and accessories		19,767	951	-	1,188	19,530	33	16,506	(1,136)	2,238	17,608	1,922
Vehicles		42,187	1,905	-	15,868	28,224	20	24,639	(11,571)	5,563	18,631	9,593
		10,878,670	289,418	-	153,143	11,014,945		2,673,477	(2,895)	343,867	3,014,449	8,000,496
Assets subject to finance lease												
Coal firing system	4.1.1	74,179	-	-	**74,179	-	Units of production method based on 15 years life	13,037	**(14,036)	999	-	-
Plant and machinery line II	4.1.1	1,263,629	****134,714	-	**84,900	1,313,443	Units of production method based on 20 years life	30,101	****(3,242)** ****6,556	32,906	66,321	1,247,122
Vehicles		12,731	-	-	-	12,731	20	3,874	-	2,546	6,420	6,311
		1,350,539	134,714	-	159,079	1,326,174		47,012	(10,722)	36,451	72,741	1,253,433
2009		**12,229,209**	**424,132**	-	**312,222**	**12,341,119**		**2,720,489**	**(13,617)**	**380,318**	**3,087,190**	**9,253,929**

* Transferred from capital work-in-progress
** Transferred from assets subject to finance lease
*** Exchange loss capitalized
**** Transferred to assets subject to finance lease

	Note	COST / REVALUATION As at July 01, 2007	Additions/ transfers	Revaluation/ reclassification (note 4.1.1)	Disposals/ transfers	As at June 30, 2008	Rate %	ACCUMULATED DEPRECIATION As at July 01, 2007	Disposals/ transfers	For the year	As at June 30, 2008	WRITTEN DOWN VALUE As at June 30, 2008
		----------------------		(Rupees in '000')	----------------------			----------------------		(Rupees in '000')	----------------------	
Owned												
Freehold land	4.1.1	31,411	-	29,325	-	60,736	-	-	-	-	-	60,736
Factory building on freehold land	4.1.1	1,196,050	132 *10,190	372,250	-	1,578,622	5	445,072	-	59,851	504,923	1,073,699
Office building		14,182	648	-	-	14,830	10	14,180	-	38	14,218	612
Roads and quarry development		56,008	-			56,008	20	14,002	-	11,202	25,204	30,804
Plant and machinery line I	4.1.1	4,952,242	12,308 *1,967 ***33,255	61,219 *****15,678	-	5,076,669	Units of production method based on 25 years life	1,631,852	*****4,548	250,578	1,886,978	3,189,691
Plant and machinery line II	4.1.1	2,269,043	36,586 *25,200 **19,505	1,319,487 *****21,718	-	3,691,539	Units of production method based on 20 years life	28,353	-	51,770	80,123	3,611,416
Coal firing system	4.1.1	264,089	*29,682	3,938	-	297,709	Units of production method based on 15 years life	68,535	-	25,051	93,586	204,123
Furniture and fixture		27,040	1,671	-	2,329	26,382	10	17,579	596	1,061	18,044	8,338
Office equipment		12,149	2,106	-	34	14,221	10	8,702	3	557	9,256	4,965
Computers and accessories		20,168	2,017	-	2,418	19,767	33	15,645	1,773	2,634	16,506	3,261
Vehicles		37,129	7,256		2,198	42,187	20	20,487	2,198	6,350	24,639	17,548
		8,879,511	95,979 *67,039 **19,505	1,786,219 *****37,396	6,979	10,878,670		2,264,407	4,570 *****4,548	409,092	2,673,477	8,205,193
Assets subject to finance lease												
Coal firing system	4.1.1	73,000	-	1,179	-	74,179	Units of production method based on 15 years life	6,701	-	6,336	13,037	61,142
Plant and machinery line II	4.1.1	829,818	**(19,505)	453,316	-	1,263,629	Units of production method based on 20 years life	12,770	-	17,331	30,101	1,233,528
Vehicles		12,731	-	-	-	12,731	20	1,327	-	2,547	3,874	8,857
		915,549	**(19,505)	454,495	-	1,350,539		20,798	-	26,214	47,012	1,303,527
2008		**9,795,060**	**95,979 *67,039**	**2,240,714 *****37,396**	**6,979**	**12,229,209**		**2,285,205**	**4,570 *****4,548**	**435,306**	**2,720,489**	**9,508,720**

* Transferred from capital work-in-progress
** Transferred from assets subject to finance lease
*** Exchange loss capitalized
**** Transferred to assets subject to finance lease
***** Reclassified from assets held for disposal

4.1.1. Plant and Machinery and Coal firing system of the Company were first revalued in financial year June 30, 2005 resulting in surplus of Rs. 968.173 million over its written down value of Rs. 3,032.848 million. The second revaluation, which also includes freehold land and factory buildings in addition to the plant and machinery and coal firing system, was carried out on June 30, 2008, by Hamid Mukhtar & Company, representatives in Pakistan for GAB Robins Group, International Loss Adjusters on the basis of market values. This valuation has created a surplus of Rs. 2,240.714 million over its written down value of Rs. 7,156.572 million. The values of the factory building and plant and machinery are being depreciated over the remaining useful lives of the assets from the date of revaluations.

4.1.2. Had there been no revaluation, the written down values of such assets would have been as follows:

	June 30, 2009		June 30, 2008
	Cost	Net book value	Net book value
	------ (Rupees in '000') ------		
Freehold land	**31,411**	**31,411**	31,411
Factory buildings	**1,320,459**	**754,742**	701,449
Plant & Machinery-line-I	**4,061,714**	**2,185,263**	2,278,875
Plant & Machinery-line-II including leased items	**3,186,297**	**2,995,268**	3,051,210
Coal firing system including leased items	**357,801**	**243,840**	253,367
	8,957,682	**6,210,524**	6,316,312

4.1.3. Depreciation for the year has been allocated as follows:

	Note	2009	2008
		(Rupees in '000')	
Cost of sales	30	**362,299**	416,238
Raw material consumed	30.1.1	**11,194**	11,202
Distribution cost	31	**3,719**	3,432
Administrative expenses	32	**3,106**	4,434
		380,318	435,306

4.1.4. The cost of operating fixed assets includes fully depreciated items of Rs. 45.541 million (2008: Rs. 44.689 million).

4.1.5. The following fixed assets were disposed off during the year.

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of Disposal	Particulars of buyers
	-------------------- (Rupees in '000') --------------------						
Television (Samsung LCD 32R71)	79	3	76	76	-	Company policy Ex-employee	Mr. Javed Elahi
Ford/Lincoln (LYZ-1111)	5,347	2,852	2,495	2,550	55	Negotiation	Mr M.Asif Khan.(Lahore) House No-250, Block GI, Johar Town Lahore.
Mercedeze Benz-(AHT-555)	6,321	4,530	1,791	1,791	-	Company policy Employee	Mr,Javed Ali Khan (Chief Executive)
Aggregate amount of assets disposed off having book value less than Rs. 50,000/- each	6,683	6,233	450	980	530	Negotiation & Company Policy	Various
2009	18,430	13,618	4,812	5,397	585		
2008	6,979	4,570	2,409	3,449	1,040		

4.2. Capital wirk-in-progress

	Opening balance	Additions	Transferred to operating fixed assets	Closing Balance
	------------- (Rupees in '000') -------------			
Plant expansion				
Plant and machinery	61,021	50,665	110,941	745
Factory building				
Civil works	1,124	2,603	3,727	-
	62,145	**53,268**	**114,668**	**745**

	Note	2009 (Rupees in '000')	2008 (Rupees in '000')
5. LONG-TERM LOANS - secured, considered good			
House building loan to:			
- Executives	5.1 & 5.3	**7,926**	9,005
- Employees		**741**	848
		8,667	9,853
Motorcycle loan to employees	5.2	**206**	325
		8,873	10,178
Less: Current portion	10	**1,310**	1,457
		7,563	8,721

5.1. House building loans are secured against retirement benefits due to executives and are repayable in 96 monthly installments. These loans carry interest @ 5 percent (2008: 5 percent) per annum. Maximum aggregate amount due from executives at the end of any month during the year was Rs.8.867 (2008: Rs.6.699) million.

5.2. Motor cycle loans are secured against retirement benefits due to employees and are repayable in 36 monthly installments. These loans carry no interest.

	2009 (Rupees in '000')	2008 (Rupees in '000')
5.3 A reconciliation of the house building loans to executives is as follows:		
Opening balance	**9,005**	10,076
Additions	**240**	-
Repayments	**(1,319)**	(1,071)
Closing balance	**7,926**	9,005

	Note	2009	2008
		(Rupees in '000')	
6. LONG-TERM DEPOSITS - considered good			
Security deposits			
- Utilities		**35,741**	35,741
- Leasing companies		**73,477**	89,267
- Others		**1,219**	1,283
		110,437	126,291
Less: Current portion of security deposits to Leasing companies		**45,517**	18,290
		64,920	108,001
7. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**159,202**	126,543
Spare parts		**334,313**	276,506
Loose tools		**6,907**	8,404
		500,422	411,453
Spare parts in transit		**5,628**	15,740
		506,050	427,193
8. STOCK-IN-TRADE			
Raw material	30.1	**6,888**	7,936
Packing material		**9,588**	35,751
Work in process	30	**94,847**	13,068
Finished goods	30	**34,743**	11,936
		146,066	68,691
9. TRADE DEBTS			
Considered good		**37,402**	40,124
Considered doubtful		**-**	-
		37,402	40,124
Provision against debts considered doubtful		**-**	-
		37,402	40,124

9.1 As at June 30, 2009, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due not impaired	Past due but not impaired					
			< 30 days	30 - 90 days	90 - 180 days	180-365 days	1 to 2 years	More than 2 years
	(Rupees in '000')							
2009	**37,402**	**-**	**31,138**	**448**	**96**	**-**	**2,943**	**2,777**
2008	40,124	-	14,350	11,952	10,561	782	2,479	-

	Note	2009	2008
		(Rupees in '000')	
10. LOANS AND ADVANCES - considered good			
Loans – secured			
Current portion of long-term loans	5	**1,310**	1,457
Advances – unsecured			
Executives		**1,934**	301
Employees		**2,487**	2,059
Banks' margin	10.2	**5,308**	37,896
Suppliers, contractors and service providers		**14,163**	19,029
		23,892	59,285
		25,202	60,742

10.1. These are non interest bearing and generally on terms of 6 to 12 months.

10.2. Includes Rs. Nil (2008: Rs.28.888 million) in respect of margin against FE 25 loan from National Bank of Pakistan (note 26.1).

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

		2009	2008
Trade deposits		**200**	200
Short-term prepayments		**413**	227
		613	427

11.1. These are non interest bearing and generally on terms of 6 to 12 months.

12. OTHER RECEIVABLES

	Note	2009	2008
Receivable from WAPDA	12.1	**19,381**	19,381
Due from provident fund		**-**	235
Others		**1**	12
		19,382	19,628

12.1. Represents rebate claim under incentive package for industries from Water and Power Development Authority in accordance with their letter no. 677-97 / GMCS / DG (C) / DD (R&CP) / 57000 dated 19 September 2001.

13. CASH AND BANK BALANCES

	Note	2009	2008
Cash in hand		**1,595**	768
Cheques in hand		**81,224**	62,258
		82,819	63,026
With banks in:			
Current accounts			
- Local currency		**71,010**	66,956
- Foreign currency		**13**	13
		71,023	66,969
Deposit accounts			
- Local currency	13.1	**5,460**	9,188
		159,302	139,183

13.1. These carry profit rates ranging from 0.75 percent to 5 percent (2008: 0.75 percent to 2.5 percent) per annum.

14. AUTHORIZED SHARE CAPITAL

2009	2008		2009	2008
(No. of shares in '000')			(Rupees in '000')	
200,000	200,000	Ordinary shares of Rs. 10/- each	**2,000,000**	2,000,000
50,000	50,000	Preference shares of Rs. 10/- each	**500,000**	500,000
250,000	250,000		**2,500,000**	2,500,000

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10/- each

172,874	172,874	Fully paid in cash	**1,728,733**	1,728,733
11,590	11,590	Issued as fully paid against outstanding loan liability	**115,909**	115,909
15,068	15,068	Issued as fully paid bonus shares	**150,682**	150,682
199,532	199,532		**1,995,324**	1,995,324

15.1. Vision Holding Middle East Limited (VHMEL) held 49.085 million (2008: Nil) ordinary shares of Rs. 10/- each as of balance sheet date. On June 18, 2009, VHMEL, a company incorporated in British Virgin Islandsw, has acquired 24.60 percent shares in the Company. Further, VHMEL has also entered into a call-and-put option agreement with certain shareholders of the Company for further 28.86 percent of the total issued and paid up share capital of the Company in the next 18 months.

	Note	2009	2008
		(Rupees in '000')	
16. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax			
Gross surplus			
Opening balance of surplus on revaluation of fixed assets		**3,080,979**	885,759
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		**(90,719)**	(45,494)
Increase on revaluation carried out during the year		**-**	2,240,714
		2,990,260	3,080,979
Less: Deferred tax liability on :			
Opening balance of revaluation		**841,123**	311,556
Incremental depreciation charged on related assets		**(31,752)**	(12,898)
Deferred tax liability on surplus on revaluation		**-**	542,465
	21.3	**809,371**	841,123
Closing balance of surplus on revaluation of fixed assets		**2,180,889**	2,239,856

16.1. Includes surplus on revaluation of freehold land amounting to Rs.29.325 (2008: Rs.29.325) million.

	Note	2009	2008
		(Rupees in '000')	

17. LONG-TERM FINANCING - Secured

	Note	2009	2008
From banking companies and other financial institutions:			
Bankers Equity Limited - under liquidation (BEL) Term Finance Certificates (TFCs)	17.1	**97,518**	106,833
Less: Current portion of Bankers Equity Limited - under liquidation (BEL) Term Finance ertificates (TFCs)	27	**56,327**	29,982
		41,191	76,851

17.1. Last year, the Company requested the official assignee of Honourable High Court of Sindh, the liquidator of Bankers Equity Limited for extending the termination date for repayment of loan for a period of 2 years. The Official assignee has accepted the request and allowed the extension in existing repayment schedule upto June, 2011. During the year, the Honourable High Court of Sindh has approved the rescheduling / restructuring of outstanding loan of the Company on March 05, 2009.

17.2. Following are the terms and conditions of rescheduled loan as finalized by the Honourable High Court of Sindh:

Repayment	December 31, 2007 to June 30, 2011
Number of installments	15 quarterly installments
Rate of mark up	12 percent per annum for extending period
Delay in payment of installments	Additional mark up at the rate of 12 percent on the overdue amount with a grace period of 30 days.

The TFCs are secured by creation of an equitable mortgage and first floating charge on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favour of other lenders. In case of default of any payment by the Company, BEL has irrevocable right to revert the rescheduled loan. The construction period mark up and other charges on TFCs (Note 21) have been frozen and will be paid during September 2008 to June 2011.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance leases entered into with leasing companies for plant and machinery and vehicles. Total lease rentals due under various lease agreements aggregate to Rs.505.326 (2008: Rs.551.037) million and are payable in equal monthly / quarterly / semi-annual installments latest by December 2012. Overdue rental payments are subject to an additional charge upto 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the Company. In case of termination of agreement, the Company has to pay the entire rent for the unexpired period. Financing rates of approximately 14.36 percent to 20.67 percent (2008: 13.92 percent to 18.50 percent) per annum have been used as discounting factor. The finance lease liability is as follows:

	Note	2009		2008	
		Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
		(Rupees in '000')			
Upto one year		**249,261**	**203,807**	294,373	248,488
One year to five years		**256,065**	**215,480**	256,664	237,796
		505,326	**419,287**	551,037	486,284
Less: Finance charges allocated to future periods		**86,039**	-	64,753	-
		419,287	**419,287**	486,284	486,284
Less: Current maturity	27	**203,807**	**203,807**	248,489	248,489
		215,480	**215,480**	237,795	237,795

	Note	2009	2008
		(Rupees in '000')	

19. LONG-TERM DEPOSITS

	Note	2009	2008
From employees	19.1	**277**	1,225
From suppliers and distributors		**791**	616
		1,068	1,841

19.1. Represents amount received from employees under car replacement scheme of the Company.

20. LONG-TERM CREDITOR – unsecured

	Note	2009	2008
Contractor	20.1	**15,114**	21,497
Less: Current portion	23.1	**6,383**	6,383
		8,731	15,114

20.1. Represents payable to contractor of the expansion project. The contractor has agreed to receive the outstanding liability in monthly installments of Rs.0.532 million per month. The said balance is interest free.

21. DEFERRED LIABILITIES

	Note	2009	2008
Deferred interest / mark up			
Bankers Equity Limited – TFCs	17.2	**107,970**	107,726
Asian Development Bank	22.1	**158,429**	119,976
Bankers Equity Limited – LMM	22.3	**31,849**	32,200
National Bank of Pakistan (Former NDFC)	21.1 & 22.5	**346,527**	442,784
Industrial Development Bank of Pakistan	22.6	**53,887**	53,887
		698,662	756,573
Less: Current portion	27	**379,431**	301,035
		319,231	455,538
Gratuity - vested contractual workers	21.2	**25,155**	18,409
Deferred taxation	21.3	**578,734**	450,648
		923,120	924,595

21.1. It carries service fee at the rate of 2 percent (2008: 2 percent) per annum on the outstanding mark up as at June 30, 2003, payable in semi annual installments till June 30, 2013.

21.2 Defined benfit plan

21.2.1 The amount recognised in the balance sheet is as follows

	2009	2008
Present value of defined benefit obligation	**25,155**	18,409
Fair value of plan assets	**-**	-
Liability recognised in the balance sheet	**25,155**	18,409

21.2.2 The amount recognised in the profit and loss account is as follows:

	2009	2008
Current service cost	**4,615**	3,518
Interest cost	**4,615**	2,998
	9,230	6,516

21.2.3 Movement in liability recognised in the balance sheet is as follows:

	2009	2008
Balance as at July 01	**18,409**	19,881
Net charge for the year	**9,230**	6,516
	27,639	26,397
Benefits paid during the year	**(2,484)**	(7,988)
Balance as at June 30	**25,155**	18,409

	Note	2009	2008
		(Rupees in '000')	

21.2.4 Movement in the present value of defined benefit obligation

		2009	2008
Balance as at July 01		**18,409**	19,881
Current service cost		**4,615**	3,518
Interest cost		**4,615**	2,998
Benefits paid during the year		**(2,484)**	(7,988)
Balance as at June 30		**25,155**	18,409

21.2.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2009 using the 'Projected Unit Credit' method are as follows:

	2009	2008
Expected rate of increase in salary level	**13%**	12%
Valuation discount rate	**13%**	12%
Expected mortality rate	**EFU (61-66) Mortality Table**	EFU (61-66) Mortality Table
Expected withdrawal rate	**EFU (61-66) Mortality Table**	(EFU (61-66) Mortality Table
Rate of return of plan assets	**-**	-

21.3 Deferred taxation

	Note	2009	2008
Credit balance arising due to:			
- accelerated tax depreciation		**989,897**	854,468
- surplus on revaluation of fixed assets	16	**809,371**	841,123
		1,799,268	1,695,591
Debit balance arising due to:			
- available tax losses		**(1,209,550)**	(1,242,019)
- compensated absences		**(10,984)**	(2,924)
		(1,220,534)	(1,244,943)
		578,734	450,648

22. LONG-TERM LOANS – secured

	Note	Installments Number	Commencing from	Rate of interest / markup	2009 (Rupees in '000')	2008 (Rupees in '000')
Foreign Currency Loans						
From banking companies and other financial institutions:						
Asian Development Bank (ADB) - Japanese Yen	22.1	9 half yearly	November 15, 2006	1.3% above 6 months LIBOR	726,146	549,900
Asian Finance & Investment Corporation Limited (AFIC) – US Dollar	22.2	23 quarterly	March 31, 2007	2.5% above 3 months LIBOR	264,048	221,569
					990,194	771,469
Local Currency Loans						
From banking companies and other financial institutions:						
Bankers Equity Limited - Locally Manufactured Machinery (LMM)	22.3	21 quarterly	September 30, 2004	1.26%	105,000	115,001
National Bank of Pakistan (NBP)	22.4	30 quarterly	March 31, 2006	2% above 3 months KIBOR	286,201	341,851
National Bank of Pakistan (Former NDFC)	22.5 & 22.8	30 quarterly	March 31, 2006	2% above 3 months KIBOR	227,978	260,060
Industrial Development Bank of Pakistan (IDBP)	22.6 & 22.8	25 quarterly	December 31, 2006	8.62%	47,461	58,008
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	22.7	12 quarterly	May 31, 2006	3% above 6 months KIBOR	-	30,000
National Bank of Pakistan (NBP)	22.9	12 quarterly	May 2006	2.5% above 6 months KIBOR	-	93,699
National Bank of Pakistan (NBP)	22.10	8 half yearly	December 2008	2.5% above 6 months KIBOR	500,000	500,000
The Bank of Punjab	22.11	36 monthly	July 2008	3.5% above 3 months KIBOR	361,111	500,000
					1,527,751	1,898,619
					2,517,945	2,670,088
Less: Current portion	27				1,430,362	968,311
					1,087,583	1,701,777

22.1. The loan is secured by creation of an equitable mortgage over the Company's immovable assets, undertaking by the Company to execute and register further security as may be required by ADB, a letter of hypothecation providing first charge over the Company's moveable assets other than book debts and personal guarantees of sponsoring directors of the Company. In the event of default in payments, the Company shall pay liquidated damages at the rate of 1.5 percent per annum of the overdue amount including interest. Outstanding interest upto September 30, 1999 has been deferred and was payable in two equal half yearly installments due on November 15, 2008 and May 15, 2009 (Note 21).

22.2. The loan is secured by creation of an equitable mortgage over the Company's immovable assets, undertaking by the Company to execute and register further security as may be required by AFIC and a letter of hypothecation providing first charge over the Company's moveable assets other than book debts. In the event of delay in payments, the Company shall pay additional interest at the rate of 1 percent of the overdue amount including interest and liquidated damages.

22.3. During the year, the loan was restructured by the order of Honourable High Court of Sindh. In case of default of any payment by the Company, BEL has irrevocable right to revert the rescheduled loan. The loan is secured by creation of a first mortgage and first floating charge on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favour of other lenders. Further, the Company shall pay additional mark up at the rate of 12 percent per annum of the overdue amount with a grace period of 30 days. The construction period mark up and other charges have been frozen and is payable from September 2008 to June 2011 (Note 21).

22.4. The loan is secured by an agreement of hypothecation, floating charge and personal guarantees of the sponsoring directors of the Company.

22.5. The outstanding mark up as at June 30, 2003 has also been deferred and shall be paid in semi annual installments on step up basis and repayment will commence following the conclusion of grace period and will conclude by December 31, 2011. The deferred mark-up has not been discounted to their present value as the financial impact thereof is not considered material by the management (Note 21).

22.6. In case of default in any payment, a penalty at the rate of 0.60 Rupee per Rupees thousand per day shall be charged on the defaulted amount for the period for which it remains unpaid. The frozen mark up upto June 30, 2001 has been deferred and will be paid in twelve quarterly installments commencing from June 30, 2009. The frozen mark-up has not been discounted to their present value as the financial impact thereof is not considered material by the management (Note 21).

22.7. The loan is secured by creation of a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future fixed assets including plant and machinery and guarantee of sponsoring directors. If the Company does not pay the purchase price on its due date, the Company shall become liable to pay liquidated damages @ 20 percent of purchase price and in case of delay beyond 7 days additional markup @ 2 percent on unpaid balance will also be payable to the bank. During the year, the entire amount of loan was repaid.

22.8. These loans are secured by creation of an equitable mortgage on the Company's immovable properties including land, building, factory, plant and machinery and equipment ranking pari passu with the charge / mortgage created in favour of other lenders, a floating charge on the business, undertaking and other properties and assets of the Company, pledge / hypothecation of all plant and machinery, equipment, motor vehicles and movable properties of the Company, hypothecation of book debts and all receivables of the Company and in case of NBP (Former NDFC) is secured by personal guarantees of sponsoring directors of the Company.

22.9. Represents loan obtained for financing expansion project. The loan was secured by creation of a first parri passu charge over entire present and future land, building, plant and machinery and was further secured by hypothecation of present and future plant and machinery and guarantee of sponsoring directors. During the year, the entire amount of loan was repaid.

22.10. This loan is secured by ranking charge of marked up amount plus 25 percent margin, which is to be upgraded to pari passu charge.

22.11. This loan is secured against first pari passu charge on all present & future current and fixed assets of the Company with 25 percent margin, a charge on all receivables and collections of the Company by way of assignments of receivables to be registered with SECP, a letter of set off & letter of lien and personal guarantees of Mr. Manzoor Hayat Noon (Chairman) & Mr. Javed Ali Khan (Chief Executive). Further, ranking charge on current and fixed assets of the Company already registered with SECP for Rs. 333.334 million is to be enhanced to Rs. 666.666 million and upgraded to first pari passu charge.

23. TRADE AND OTHER PAYABLES

	Note	2009 (Rupees in '000')	2008 (Rupees in '000')
Creditors	23.1	**359,615**	363,995
Accrued expenses		**78,198**	108,043
Advances from customers	23.2	**67,233**	175,599
Retention money payable		**11,983**	23,211
Payable to provident fund		**5,470**	-
Payable to staff gratuity fund	23.3.1	**2,270**	36,983
Deposits		**8,605**	29,332
Excise duty payable on cement		**74,436**	82,688
Royalty and excise duty on minerals		**4,356**	3,065
Withholding tax		**750**	1,492
Worker profit participation fund		**9,371**	-
Worker welfare fund		**3,749**	-
Unclaimed dividend		**3,096**	3,156
Book overdraft		**-**	46,886
		629,132	874,450

23.1. These are non-interest bearing and generally are of 30 to 90 days term. The amount includes current portion of long-term creditor (note 20).

23.2. These are non-interest bearing and generally are of 30 to 60 days term.

23.3 Defined benefit plan

	Note	2009	2008
		(Rupees in '000')	
23.3.1 The amount recognised in the balance sheet is as follows:			
Present value of defined benefit obligation		**56,507**	54,263
Fair value of plan assets		**(54,237)**	(1,097)
Unrecognised actuarial loss		**-**	(16,183)
Liability recognised in the balance sheet		**2,270**	36,983
23.3.2 The amount recognised in the profit and loss account is as follows:			
Current service cost		**8,607**	10,328
Interest cost		**8,721**	8,837
Termination loss – permanent employees		**4,623**	-
Service cost – non vested contractual workers	21.2	**(9,230)**	(6,516)
Actuarial loss recognized		**16,839**	612
		29,560	13,261
23.3.3. Movement in liability recognised in the balance sheet is as follows:			
Balance as at July 01		**36,983**	53,527
Net charge for the year		**29,560**	13,261
		66,543	66,788
Contributions made by the Company during the year		**(62,113)**	(3,455)
Benefits paid by the Company		**(2,160)**	(26,350)
Balance as at June 30		**2,270**	36,983
23.3.4. Movement in the present value of defined benefit obligation:			
Balance as at July 01		**54,263**	68,486
Current service cost		**8,607**	10,328
Interest cost		**8,721**	8,837
Termination loss – permanent employees		**4,623**	-
Service cost – non vested contractual workers	21.2	**(9,230)**	(6,516)
Benefits paid during the year		**(11,133)**	(28,708)
Actuarial loss / (gain) for the year		**656**	1,836
Balance as at June 30		**56,507**	54,263
23.3.5. Movement in fair value of plan assets:			
Total assets as at 30 June		**1,097**	-
Contributions made by the Company		**62,113**	3,455
Benefits paid during the year		**(8,973)**	(2,358)
		54,237	1,097

23.3.6 The principal assumptions used in the actuarial valuations carried out as of June 30, 2009 using the 'Projected Unit Credit' method are as follows:

	2009	2008
Expected rate of increase in salary level	**13%**	12%
Valuation discount rate	**13%**	12%
Expected mortality rate	**EFU (61-66) Mortality Table**	EFU (61-66) Mortality Table
Expected withdrawal rate	**EFU (61-66) Mortality Table**	EFU (61-66) Mortality Table
Rate of return of plan assets	**-**	-

Comparisons for past years:

As at June 30	2009	2008	2007	2006	2005
	(Rupees in '000')				
Present value of defined benefit obligation	**56,507**	54,263	88,370	82,560	64,358
Fair value of plan assets	**54,237**	1,097	-	-	-
Deficit	**2,270**	53,166	-	-	-

23.3.7 The gratuity scheme for the Company's permanent employees was terminated.

24. SHORT-TERM MURABAHA – secured

Represents Murabaha finance facility obtained from First Dawood Investment Bank Limited - a related party, carrying profit rate of 4.5 percent above 6 months KIBOR. The facility was repayable upto 21 August 2008 and is secured against the pledge of coal stock, demand promissory note and personal guarantees of two Directors of the Company. During the year, the facility including accrued interest was rescheduled and was converted into a finance lease (note 18).

25. SHORT-TERM MUSHARAKA – secured

Represents short-term musharaka financing obtained from First Dawood Investment Bank Limited - a related party, carrying markup rate of 5.5 percent above 6 months KIBOR to be revised semi annually and is secured against hypothecation charge over fixed and current assets of the Company with 25% margin. During the year, the facility including accrued interest was rescheduled and was converted into a lease (note 18).

	Note	2009	2008
		(Rupees in '000')	
26. SHORT-TERM FINANCES			
National Bank of Pakistan - FE 25	26.1	**299,982**	299,991
National Bank of Pakistan	26.2	**224,947**	-
First Credit Investment Bank Ltd.	26.3	**-**	11,694
		524,929	311,685

26.1. The Company has obtained a short-term finance facility from National Bank of Pakistan Limited of Rs. 300 million with sub limit of FE-25 of US $ 4.6 million for utilizing under FE-25 for a period of 180 days on roll over basis at markup rate of 3 months LIBOR (US $) plus 1.5 percent. The facility is secured against lien on export LCs and first pari pasu charge over fixed assets of Rs. 400 million with 25% margin.

26.2. National Bank of Pakistan has created a Demand Finance on account of payment made by them to Habib Metropolitan Bank Limited against usance letter of credit. The facility carries mark-up at 3 months KIBOR plus 2.25 percent.

26.3. The facility was availed by the Company under a syndicate consisting First Credit Investment Bank Limited (FCIBL) and Orix Investment Bank Limited in June 2006 and was initially payable by September 2007. The facility amount of FCIBL was rescheduled with a grace period of 6 months repayable in 12 monthly installments commencing from April 2008 carrying mark up at 6 months KIBOR plus 3 percent. The facility is secured by ranking charge by way of hypothecation over the Company's entire present and future current assets, demand promissory note and personal guarantees of sponsoring Directors. During the year, the entire amount of loan was repaid.

	Note	2009 (Rupees in '000')	2008 (Rupees in '000')
27. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long-term financing	17	**56,327**	29,982
Long-term loans	22	**1,430,362**	968,311
Liabilities against assets subject to finance lease	18	**203,807**	248,489
Long-term musharaka finance	27.1	-	50,000
Deferred liabilities	21	**379,431**	301,035
		2,069,927	1,597,817

27.1. Represent facility obtained from First Dawood Investment Bank Limited - a related party, carrying profit rate of 15 percent per annum. The facility was repayable on December 31, 2008 with quarterly payments of profit and is secured by way of hypothecation of stocks in trade and receivables of the Company. Last year, the outstanding amount of facility was classified under current portion of long-term liabilities. During the year, the facility including accrued interest was rescheduled and was converted into a finance lease (note 18).

28. CONTINGENCIES AND COMMITMENTS

28.1. Contingencies

28.1.1. The issue pertaining to interpretation of sub-section (2) of section 4 of the Central Excise Act, 1944 (the "1944 Act") has been adjudicated by the Honorable Supreme Court of Pakistan vide judgment dated 15-02-2007 (the "Supreme Court Judgment") in appeal nos. 1388 and 1389 of 2002, 410 to 418 of 2005, 266, 267 & 395 of 2005 (the "Appeal"). By way of background it is pointed out the controversy between the revenue and the assesees pertained to whether in view of the words of sub-section (2) of section 4 of the 1944 Act that "duty shall be charged on the retail price fixed by the manufacturer, inclusive of all charges and taxes, other than sales tax.." retail prices would include the excise duty leviable on the goods. The Honorable Lahore High Court as well as the Peshawar High Court held that excise duty shall not be included as a component for determination of the value (retail price) for levying excise duty (the "Judgments"). The revenue being aggrieved of the judgments impugned the same before the Supreme Court of Pakistan vide the Appeals, in pursuance whereof leave was granted to determine in the aforesaid issue. The Honorable Supreme Court vide the Supreme Court Judgment upheld the judgments and the Appeals filed by the revenue were dismissed. In the Supreme Court Judgment it has been categorically held that excise duty is not to be included as a component for determination of the value (retail price) for levying excise duty under sub-section (2) of section 4 of the 1944 Act.

In view of the above, during the year ended June 30, 2008, the Company has filed a refund claim amounting to a sum of Rs. 734.056 million before Collector, sales tax and federal excise duty, Government of Pakistan (the Department) which is pending determination by the Department, hence, presently the same has not been accounted for in the books of account of the Company.

28.1.2. The Federal Board of Revenue (Previously Board of Revenue) had raised a demand of Rs.8.842 million for stamp duty on agreements signed with financial institutions. The Company had filed a petition as a result of which the demand was reduced to Rs. 4.412 million by the Board of Revenue. The Company filed a petition against the above decision in the High Court of Sindh which was allowed. The Board of Revenue filed a civil petition against the said decision in the Supreme Court of Pakistan, which is pending. The management anticipates a favorable outcome of this petition, hence, no provision has been made against the above demand in these financial statements.

28.1.3. Demands of sales tax including additional tax and penalty on lime stone and clay amounting to Rs. 16.465 million, Rs 4.518 million and Rs. 8.292 million were raised by the Sales Tax Department. The case for Rs. 16.465 million has been remanded back to the Lahore High Court by the Supreme Court of Pakistan, while the case for Rs. 4.518 million is pending in the Lahore High Court. The case for Rs. 8.292 million is decided by the Collector of Sales Tax (Appeal) on February 03, 2007 partially reducing the value of sales tax amount from Rs. 8.292 million to Rs. 2.80 million. The Company had deposited Rs. 1.50 million and filed an appeal against the order of Collector Sales Tax (Appeal) in Sales Tax Tribunal, Lahore. The hearing of the case is yet to be fixed. The management anticipates a favorable outcome of this petition, hence, no provision has been made against the above demand in these financial statements.

28.1.4. The Commissioner Social Security raised a demand of Rs. 0.7 million for the non payment of social security during the year 1994. An appeal was filed against the above mentioned decision and the case is pending in the Labour Court, Lahore. The management anticipates a favorable outcome of this petition, hence, no provision has been made in these financial statements.

28.1.5. The Collector of Sales Tax, Faisalabad has disallowed input tax paid on machinery amounting to Rs. 4.178 million. The Company has filed an appeal which is pending in Lahore High Court. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

28.1.6. The Collector of Sales Tax, Faisalabad has raised a demand of Rs. 17.202 million as sales tax on lime stone and clay for the period July 1999 to August 2000 and on account of non payment of sales tax on purchase of fixed assets. The case is pending in the Customs Appellate Tribunal, Lahore. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

28.1.7. The Company has challenged the applicability of the marking fee on the production of the cement at the rate of 0.15% as levied by The Pakistan Standards and Quality Control Act, 1996 on the grounds that this fee is charged without any nexus with services, in fact shows that it is being charged as a tax and thus is in violation of the rights guaranteed under Article 4, 18, 25 and 77 of the Constitution of Pakistan, 1973. However, the Company on prudence grounds provided for the above fee in the current financial statements. The management anticipates a favorable outcome of this petition, hence, no provision has been made against the above demand in these financial statements.

28.1.8. During the year, 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, which is fixed in the third week of September 2009. The management anticipates a favorable outcome of this petition, hence, no provision has been made against the above demand in these financial statements.

28.1.9. The Company has not acknowledged the claim of Industrial Engineering amounting to Rs. 22 million in respect of services received at the time of construction of Line II. The Company refused to acknowledge this claim due to non-completion of work as agreed.

28.1.10. Subsequent to the year end on August 31, 2009, the Competition Commission of Pakistan (CCP) imposed a penalty on the Company via an order dated August 27, 2009 amounting to Rs. 364 million, which is 7.5% of the turnover as reported in the last published financial statements. CCP has also imposed penalties on 19 other cement manufacturing companies against cartelization by cement manufacturers under the platform of All Pakistan Cement Manufacturers Association (APCMA) to increase cement prices by artificially restricting production.

The penalized cement companies are jointly in the process of filling a petition in the Honorable High Court challenging the imposition of penalties by the CCP.

In a hearing before Lahore High Court on August 31, 2009, the Honorable High Court has ordered the stay of any adverse actions against the cement companies by the CCP until September 27, 2009, the date of hearing for the challenging petitions.

The management of the Company is expecting a favorable outcome. Hence, no provision has been made against the above demand in these financial statements.

28.2. Commitments

28.2.1. Commitments in respect of outstanding letters of credit amount to Rs. 14.148 million (2008: Rs.52.240 million).

	Note	2009	2008
		(Rupees in '000')	
29. GROSS TURNOVER			
Local		**5,638,351**	5,150,358
Export		**1,042,408**	1,457,060
		6,680,759	6,607,418
30. COST OF SALES			
Raw material consumed	30.1	**220,209**	336,729
Packing material consumed		**322,517**	366,057
Fuel and power		**2,428,120**	2,712,875
Stores and spare parts consumed		**156,177**	145,887
Salaries, wages and benefits	30.2	**195,060**	176,297
Travelling and conveyance		**27,318**	23,284
Insurance		**10,236**	10,423
Repairs and maintenance		**37,935**	44,131
Communication		**2,324**	2,695
Depreciation	4.1.3	**362,299**	416,238
Other manufacturing expenses		**9,734**	10,704
		3,551,720	3,908,591
Total cost		**3,771,929**	4,245,320
Work in process			
Opening balance		**13,068**	110,600
Closing balance	8	**94,847**	(13,068)
		(81,779)	97,532
Cost of goods manufactured		**3,690,150**	4,342,852
Finished goods			
Opening balance		**11,936**	9,235
Closing balance	8	**34,743**	(11,936)
		(22,807)	(2,701)
		3,667,343	4,340,151

30.1. Raw material consumed

	Note	2009	2008
Opening balance		**7,936**	16,480
Quarrying / transportation / purchases and other overheads	30.1.1	**220,691**	329,235
		228,627	345,715
Closing balance	8	**(6,888)**	(7,936)
		221,739	337,779
Duty drawback on exports		**(1,530)**	(1,050)
		220,209	336,729

30.1.1 Includes depreciation amounting to Rs.11.194million (2008: Rs.11.202 million) (note 4.1.3).

	Note	2009	2008
		(Rupees in '000')	
30.2 Includes employees' benefits as follows:			
Defined contribution plan		**4,352**	2,635
Defined benefit plan		**22,330**	10,288
Compensated absences		**3,912**	3,206
		30,594	16,129

31. DISTRIBUTION COST

	Note	2009	2008
Salaries, wages and benefits	31.1	**31,425**	31,895
Travelling and conveyance		**722**	1,011
Vehicle running expenses		**3,474**	3,128
Communication		**2,335**	3,005
Printing and stationery		**1,454**	1,490
Rent, rates and taxes		**1,789**	2,676
Utilities		**1,457**	1,331
Repairs and maintenance		**1,597**	1,269
Legal and professional charges		**5,038**	3,447
Insurance		**830**	847
Fee and subscription		**1,661**	1,036
Advertisements / sales promotion		**2,137**	1,236
Freight and handling charges	31.2	**301,599**	409,457
Entertainment		**738**	787
Depreciation	4.1.3	**3,719**	3,432
		359,975	466,047

31.1. Includes employees' benefits as follows:

	2009	2008
Defined contribution plan	**1,377**	886
Defined benefit plan	**5,063**	1,839
Compensated absences	**322**	931
	6,762	3,656

31.2. Represents freight and handling charges against export sales.

32. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, wages and benefits	32.1	**69,126**	57,529
Travelling and conveyance		**2,095**	4,177
Vehicle running expenses		**4,150**	3,319
Communication		**2,232**	2,262
Printing and stationery		**1,528**	1,786
Rent, rates and taxes		**1,846**	1,995
Utilities		**3,809**	2,583
Repairs and maintenance		**1,667**	1,544
Legal and professional charges		**1,835**	3,108
Insurance		**799**	892
Auditors' remuneration	32.2	**3,381**	3,033
Fee and subscription		**548**	2,402
Depreciation	4.1.3	**3,106**	4,434
Entertainment		**707**	693
Others		**825**	221
		97,654	89,978

32.1. Includes employees' benefits as follows:

	2009	2008
Defined contribution plan	**3,300**	2,026
Defined benefit plan	**11,397**	7,651
Compensated absences	**1,446**	1,709
	16,143	11,386

32.2. Auditors' remuneration

	2009	2008
Annual audit fee	**1,000**	700
Fee for half yearly review	**400**	400
Special certifications and other advisory services	**1,745**	1,775
Out of pocket expenses	**236**	158
	3,381	3,033

	Note	2009	2008
		(Rupees in '000')	
33. OTHER OPERATING INCOME			
Profit on bank deposits		**196**	402
Interest on long-term loans		**271**	341
Scrap sales		**24,516**	6,738
Gain on disposal of fixed assets	4.1.5	**585**	1,040
Refund from State Bank of Pakistan		**-**	20,000
Others		**2,479**	2,109
		28,047	30,630
34. FINANCE COST			
Mark-up on:			
Long-term financing		**12,999**	15,482
Long-term loans - local currency		**280,364**	239,621
Lease financing		**50,441**	73,334
		343,804	328,437
Profit on Musharaka and Murabaha financing		**17,986**	25,789
Interest on:			
Long-term loans – foreign currency		**37,790**	30,113
Short-term finance		**37,184**	4,201
		74,974	34,314
Fee, charges and commission			
Service charges		**7,872**	9,709
Bank charges		**6,611**	9,985
Others		**218**	3,203
		14,701	22,897
Advisory, arrangement and upfront fee		**-**	1,766
		451,465	413,203
35. OTHER OPERATING EXPENSES			
Exchange losses – net		**263,477**	148,799
Donations	35.1	**807**	224
Worker profit participation fund		**9,371**	-
Worker welfare fund		**3,749**	-
Others		**135**	6
		277,539	149,029

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

	Note	2009	2008
36. TAXATION			
Current	36.1	**(10,108)**	(24,514)
Deferred		**(128,084)**	418,557
		(138,192)	394,043

36.1. In view of tax losses and withdrawal of section 113 of Income Tax Ordinance, 2001 vide the Finance Act, 2008, no provision for current income tax has been made other than income covered under Final Tax Regime. Accordingly, tax expense reconciliation with the accounting profit is not reported.

37. EARNING/(LOSS) PER SHARE - Basic and diluted

There is no dilutive effect on the basic earning / (loss) per share of the Company, which is based on:

	2009	2008
Profit / (loss) after taxation	**36,114**	(179,971)
Weighted average number of ordinary shares in issue (in '000')	**199,532**	194,152
Earning/(loss) per share - Basic and diluted (Rupee)	**0.18**	(0.93)

38. 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, other than remuneration and benefits to key management personnel under the terms of their employment and transactions with such reflected elsewhere in these financial statements are as under:

	2009	2008
	(Rupees in '000')	
Major shareholders		
DAL Teknik, Turkey		
Payment against purchase of plant and machinery	-	240,000
Entities having directors in common with the Company		
First Dawood Investment Bank		
Murabaha finance obtained	-	81,550
Musharaka finance obtained	-	40,000
Repayment of lease financing	**14,225**	24,253
Repayment against Murabaha facility	-	54,400
Finance cost	**19,642**	24,975
Under Writer's commission	-	446
BRR International Modaraba		
Repayment of lease financing	**9,673**	9,848
Finance cost paid	**3,286**	2,882
Guardian Modaraba		
Repayment of lease financing	**8,586**	10,391
Finance cost paid	**3,332**	3,979
Staff retirement contribution plan		
Contribution to staff provident fund	**9,029**	5,657
Contribution to staff gratuity fund	**38,790**	19,777

38.1. Certain assets are being used by the employees of the Company in accordance with their terms of employment. Further, there are no transactions with key management personnel other than under the terms of employment as disclosed in note 40 to the financial statements.

38.2. The related party status of outstanding receivables and payables as at June 30, 2009 are disclosed in respective notes to the financial statements.

39. FINANCIAL INSTRUMENTS

39.1. Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2009.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009	2008
	(Rupees in '000')	
Long-term financing	**41,191**	76,851
Liabilities against assets subject to finance lease	**215,480**	237,795
Long term creditor	**8,731**	15,114
Deferred liabilities	**344,386**	473,947
Long term loans	**1,087,583**	1,701,777
Trade and other payables	**629,132**	874,450
Accrued interest / mark-up	**226,748**	110,932
Short-term Murabaha	-	27,151
Short-term Musharaka	-	40,000
Short-term Finances	**524,929**	311,685
Current portion of non-current liabilities	**2,069,927**	1,597,817
Total debt	**5,148,107**	5,467,519
Less: Cash and bank balances	**78,078**	76,925
Net debt	**5,070,029**	5,390,594
Total Equity	**2,400,541**	2,305,460
Total Capital	**7,470,570**	7,696,054
Gearing ratio	**67.87%**	70.04%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The management of the Company continuing with operational and infrastructure rehabilitation program with the objective of converting the Company into profitable entity and has taken financial measures to support such rehabilitation program. 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 neighboring countries and curtailing financing cost by means of coverting loans into equity.

39.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments. The Company is exposed to interest rate risk, liquidity risk and credit risk. The sensitivity analyses in the following sections relate to the position as at June 30, 2009 and 2008.

39.3. Liquidity risk

The Company had started commercial production at its new production facility Line II in April 2006. The Company had acquired long-term finances and entered into lease arrangements for the financing of this expansion project. Due to this situation the working capital of the Company is negative as at the balance sheet date. The revenues generated from the enhanced capacity have started to flow and the management feels that no liquidity risk is arising out of this situation. The Company's management closely monitors the Company's liquidity and cash flow position and foresees that the said negative working capital position will become favorable during the next year due to increased revenues from the expanded production capacity including increase in export sales.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2009 based on contractual undiscounted payment dates and present market interest rates:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----------	----------	----------	Rupees in '000	----------	----------
June 30, 2009						
Long-term financing	20,667	8,005	27,655	41,191	-	97,518
Liabilities against assets subject to finance lease	-	68,227	135,580	215,480	-	419,287
Long-term deposits	-	-	-	1,068	-	1,068
Long-term creditor	-	-	-	8,731	-	8,731
Deferred liabilities	235,907	15,390	128,134	344,386	-	723,817
Long-term loans	706,750	92,914	630,768	1,087,513	-	2,517,945
Trade and other payables	-	207,331	421,801	-	-	629,132
Accrued mark-up	-	226,748	-	-	-	226,748
Short-term finances	-	524,929	-	-	-	524,929
	963,324	**1,143,544**	**1,343,938**	**1,698,369**	**-**	**5,149,175**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----------	----------	----------	Rupees in '000	----------	----------
June 30, 2008						
Long-term financing	-	9,315	20,667	76,851	-	106,833
Liabilities against assets subject to finance lease	-	62,122	186,366	237,796	-	486,284
Long-term deposits	-	-	-	1,841	-	1,841
Long-term creditor	-	-	-	15,114	-	15,114
Deferred liabilities	62,245	10,833	227,957	473,947	-	744,982
Long-term loans	224,717	121,867	621,726	1,701,778	-	2,670,088
Trade and other payables	-	461,248	413,202	-	-	874,450
Accrued mark-up	-	110,932	-	-	-	110,932
Short-term Murabaha and Musharaka	30,400	16,751	70,000	-	-	117,151
Short-term finances	-	-	311,685	-	-	311,685
	317,362	**793,068**	**1,851,603**	**2,507,327**	**-**	**5,439,360**

39.4. Yield / Mark-up rate risk

Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company exposure to the risk of changes in market interest rates relates primarily to the long-term loans and short-term finances with floating interest rates.

The effective yield / mark up rate on the financial assets and liabilities are disclosed in their respective notes to the financial statements.

39.5. Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit/(loss) before tax (through impact on floating rate borrowings). There is only immaterial impact on Company's equity. The analysis excludes the impact of movement in market variables on the carrying values of employees retirement obligation, provision and on non-financial assets and liabilities of the Company. Further, interest rate sensitivity does not have an asymmetric impact on the Company's result.

	Increase / decrease in basis points	Effect on profit before tax Rupees in '000
2009		
Pak Rupee	+50	(15,702)
Pak Rupee	-50	15,702
2008		
Pak Rupee	+50	(15,443)
Pak Rupee	-50	15,443

39.6. Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts amounting to Rs.108.082 million (2008: Rs.102.382 million). The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy.

39.7. Foreign exchange risk management

Foreign currency risk arises mainly where balances exists due to the transactions with foreign undertakings. The Company is exposed to foreign exchange risk with respect to foreign currency loans payable amounting to Rs.990.194 million (2008: Rs.771.469 million) as disclosed in note 22 to these financial statements and interest payable on foreign currency loans amounting to Rs.189.849 million (2008: Rs.132.650 million). Foreign currency liabilities are also exposed to risk amounting to Rs.59.950 million (2008: Rs.7,373 million) as shown in note 23 to these financial statements. The management has assessed that hedging its foreign currency borrowings will be more expensive than self assuming the risk. This risk management strategy is reviewed each year on the basis of market conditions.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollars, Japanese Yens exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity at 30 June 2009.

	2009 US Dollars '000	Japanese Yens '000	2008 US Dollars '000	Japanese Yens '000
Foreign currency denominated monetary assets	**36**	**-**	**-**	**-**
Foreign currency denominated monetary liabilities	**3,426**	**887,148**	**4,032**	**871,670**

	Increase/ decrease in US Dollars to Pak Rupee	Increase/ decrease in Japanese Yen to Pak Rupee	Effect on profit before tax	Effect on equity
			---Rupees in '000----	
2009	**+5%**	**+5%**	**44,527**	**28,942**
	-5%	**-5%**	**(44,527)**	**(28,942)**
2008	+5%	+5%	43,785	28,460
	-5%	-5%	(43,785)	(28,460)

39.8. Equity price risk

Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

39.9. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year are as follows:

	Chief Executive		Executives	
	2009	**2008**	**2009**	**2008**
Total number	**1**	1	**17**	15
	(Rupees in '000')			
Basic salary	**4,784**	4,200	**19,764**	17,188
Contribution to provident fund trust	**478**	420	**1,979**	1,420
Contribution to gratuity	**1,182**	508	**4,350**	10,700
Allowances & benefits:				
- House rent	**2,153**	1,890	**8,894**	7,451
- Utilities	**1,673**	609	**1,755**	1,419
- Cost of living allowance	**-**	-	**38**	56
- Medical	**892**	609	**2,846**	2,639
- consolidated allowance	**1,056**	-	**6,743**	6,108
	12,218	8,236	**46,369**	46,981

In addition, the chief executive and all the executives of the Company have been provided with free use of Company owned and maintained cars and other benefits in accordance with their entitlements as per rules of the Company. Payments to CEO include arrears on account of previous two years increments paid during the year.

41. CASH GENERATED FROM OPERATIONS

	2009	2008
	(Rupees in '000')	
Profit / (loss) before taxation	**174,306**	(574,014)
Adjustments for non cash and other items:		
Depreciation	**380,318**	435,306
Provision for compensated absences and gratuity	**5,678**	25,624
Finance cost	**451,466**	413,203
Profit on disposal of property, plant and equipment	**(585)**	(1,040)
Workers' Profits Participation Fund	**9,371**	-
Workers' Welfare Fund	**3,749**	-
Unclaimed balances written back	**(1,770)**	-
Exchange losses	**256,282**	149,477
	1,104,509	1,022,570
Cash flows before working capital changes	**1,278,815**	448,556
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	**(78,040)**	(17,034)
Stock-in-trade	**(77,376)**	81,603
Trade debts	**2,722**	(10,405)
Loans and advances	**35,540**	(38,419)
Deposits and prepayments	**(187)**	614
Other receivables	**245**	(19,399)
	(117,096)	(3,040)
(Decrease)/increase in current liabilities:		
Trade and other payables	**(212,277)**	107,725
Sales tax payable	**31,131**	3,757
	(181,146)	111,482
	(298,242)	108,442
	980,573	556,998

42. PRODUCTION CAPACITY

	2009	2008
	(Rupees in '000')	
Rated capacity - clinker		
- Line I (after optimization)	**705,000**	705,000
- Line II	**1,290,000**	1,290,000
	1,995,000	1,995,000
Actual production – clinker		
- Line I	**493,426**	625,846
- Line II	**651,668**	1,014,246
	1,145,094	1,640,092

The Company has not utilised its full production capacity due to certain plant modifications and use of local coal during the year.

	2009	2008
Sales – cement		
- Local	**922,510**	1,337,224
- Export	**104,235**	154,358
- Export clinker	**139,350**	293,432
	1,166,095	1,785,014

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28 September, 2009 by the Board of Directors of the Company.

44. GENERAL

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

CHIEF EXECUTIVE

CHAIRMAN

Pattern of Shareholding
as at June 30, 2009

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	PERCENTAGE
	FROM	TO		
1881	1	100	58,206	0.03
2205	101	500	560,645	0.28
1716	501	1000	1,269,634	0.64
1735	1001	5000	3,756,036	1.88
276	5001	10000	1,986,404	1.00
96	10001	15000	1,197,229	0.60
63	15001	20000	1,128,189	0.57
31	20001	25000	704,982	0.35
17	25001	30000	471,360	0.24
14	30001	35000	454,253	0.23
8	35001	40000	305,692	0.15
8	40001	45000	343,789	0.17
10	45001	50000	482,519	0.24
7	50001	55000	363,786	0.18
6	55001	60000	352,994	0.18
1	60001	65000	64,469	0.03
5	65001	70000	341,618	0.17
3	70001	75000	221,334	0.11
5	75001	80000	389,032	0.19
4	80001	85000	328,209	0.16
5	85001	90000	440,876	0.22
4	90001	95000	370,456	0.19
6	95001	100000	585,230	0.29
2	100001	105000	205,116	0.10
2	110001	115000	225,549	0.11
2	115001	120000	240,000	0.12
2	120001	125000	242,635	0.12
2	125001	130000	259,500	0.13
1	135001	140000	135,035	0.07
1	155001	160000	156,662	0.08
1	175001	180000	176,123	0.09
1	190001	195000	192,368	0.10
2	195001	200000	400,000	0.20
1	200001	205000	200,186	0.10
1	210001	215000	211,682	0.11
1	245001	250000	250,000	0.13
1	285001	290000	286,755	0.14
1	290001	295000	294,099	0.15
2	300001	305000	604,446	0.30
1	305001	310000	310,000	0.16
1	320001	325000	322,353	0.16
1	420001	425000	423,523	0.21
1	500001	505000	501,095	0.25
1	560001	565000	564,635	0.28
1	575001	580000	575,406	0.29
1	595001	600000	600,000	0.30
2	740001	745000	1,489,000	0.75
1	775001	780000	776,500	0.39
1	790001	795000	793,500	0.40
1	1035001	1040000	1,040,000	0.52
1	1115001	1120000	1,116,500	0.56
1	1170001	1175000	1,175,000	0.59
1	1285001	1290000	1,286,444	0.64
1	1300001	1305000	1,304,000	0.65
1	1305001	1310000	1,309,817	0.66
1	2110001	2115000	2,113,935	1.06
1	2585001	2590000	2,587,640	1.30
1	3495001	3500000	3,500,000	1.75
1	3825001	3830000	3,826,151	1.92
1	3880001	3885000	3,881,168	1.95
1	6005001	6010000	6,010,000	3.01
1	8530001	8535000	8,531,583	4.28
1	8980001	8985000	8,981,643	4.50
1	11840001	11845000	11,844,200	5.94
1	12220001	12225000	12,224,141	6.13
1	13870001	13875000	13,871,633	6.95
1	18730001	18735000	39,230,453	19.66
1	49080001	49085000	49,084,872	24.60
8159			**199,532,290**	**100.00**

Categories of Shareholders Shares Held Percentage

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, and their spouse and minor children	43,613,839	21.86
Associated Companies, undertakings and related parties	3,826,151	1.92
NIT	1,286,444	0.64
ICP	42,800	0.02
Banks Development Financial Inst. Non Banking Financial Institutions	27,010,127	13.54
Insurance Companies	120,888	0.06
Modarabas and Mutual Funds	209,955	0.11
Share holders holding 10%		
Malik Manzoor Hayat Noon	39,230,453	19.66
Vision Holdings Middle East Ltd.	49,084,872	24.60
General Public		
a: Local	33,382,519	16.73
b: Foreign	78,192	0.04
OTHERS Joint Stock Companies / Cooperative Societies / Trusts / Govt. Institutions	40,876,503	20.49

Form of Proxy

Registered Folio No./
CDC Account No. ____________________

I/We ____

of ____

being a member of **PIONEER CEMENT LIMITED** hereby appoint

____
Name

of ____
Address

or failing him ____
Name

of ____
Address

(also being a member of the company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, of the 23rd Annual General Meeting of the Company to be held on Saturday, October 31, 2009 at 11:30 a.m. at 66, Garden Block, New Garden Town, Lahore and at any adjournment thereof.

As witness my hand this ____________________ day of ____________ 2009

____
Signature of Shareholder

Revenue Stamp

Witness 1	**Witness 2**
Signature ____________________	Signature ____________________
Name ____________________	Name ____________________
Address ____________________	Address ____________________
____________________	____________________
CNIC ____________________	CNIC ____________________

Note: Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

SECP's circular no. 1 dated January 26th, 2000 is on the reverse side of this form.

AFFIX
CORRECT
POSTAGE

The Company Secretary
PIONEER CEMENT LIMITED
66, Garden Block, New Garden Town,
Lahore.
Phone: (042) 35831 462-63

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
State Life Building 7, Blue Area, Islamabad.

January 26, 2000

Circular No. 1 of 2000

Sub: **GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES**

The shares of a number of listed companies are now being maintained as “book entry security” on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard, the following guideline for the covenience of the listed companies and the beneficial owners are laid down:

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, hsall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature of the nominee shall be produced of the time of the meeting.

B. Appointment of Proxies

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.

(2) The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

PIONEER
CEMENT LTD.

Pioneer Cement Limited
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Shahrah-e-Quaid-e-Azam, Lahore, Pakistan.
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