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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 difficulties in processes. 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.



# OBITUARY



**Late Mr. Manzoor Hayat Noon**

We express sincere sympathy, commiseration and condolences on the unexpected and unfortunate demise of Mr. Manzoor Hayat Noon, Chairman, Board of Directors. The loss of Mr. Noon is irreparable and irreplaceable.

**"May Allah the Almighty rest his soul in peace and endow patience to the family members to bear the loss"**

We would like to place on record acknowledgement for the services of Mr. Noon to the Company. It would be difficult to measure the impact he has had on many lives he touched, personally and professionally.

He was highly respected by the entire Company. He was a visionary leader and his dedicated and selfless patronages to this Company were many and varied. He had a major role in the initial instatement and subsequent expansions in the Company. Mr. Noon was a thoughtful and generous person and we are very grateful for his leadership, guidance and many contributions that he made to this Company.



# Corporate Information

## Board of Directors

Mr. Asif H. Bukhari  
Mr. Aly Khan  
Mr. Cevdet Dal  
Mr. Etrat Hussain Rizvi  
Mr. Omer Adil Jaffar  
Mr. Saleem Shahzada  
Mr. William Gordon Rodgers  
Mr. Javed Haider (NBP)  
Mr. Rafique Dawood (FDIB)  
Syed Mazher Iqbal (MD&CEO)

## Audit Committee

### Chairman

Mr. Rafique Dawood (FDIB)

### Members

Mr. Aly Khan  
Mr. William Gordon Rodgers  
Mr. Saleem Shahzada  
Mr. Javed Haider (NBP)

## Chief Financial Officer

Mr. Amjad Waqar

## Company Secretary

Syed Anwar Ali

## Chief Internal Auditor

Mr. Jamal-ud-Din

## Senior Management

Shaikh Javed Elahi  
Executive Director Operations

Mr. Rizwan Butt  
GM Marketing & Sales

Mr. M. Saleem Waheed  
GM M.I.S

## Statutory Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
(Chartered Accountants)

## Cost Auditors

Siddiqui & Co.

## Legal Advisors

Hassan & Hassan

## Bankers

Askari Bank Limited  
Bank Al-Habib Limited  
Bank Islami Pakistan Limited  
Habib Bank Limited  
Faysal Bank Limited  
JS Bank Limited  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
The Bank of Punjab  
United Bank Limited

## Head Office

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

## Sales Offices

10-Officers Colony, Bosan Road,  
Opp: Jinnah High School,  
Multan  
Telephone: (061) 6510404  
Fax: (061) 6510405

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

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

Website: [www.pioneercement.com](http://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: pcellahore@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





# FINANCIAL HIGHLIGHTS

	UoM	2011	2010	2009	2008	2007	2006	2005
<b>Production and Sales</b>								
Clinker Production	Tons (000)	<u>1,189</u>	<u>1,163</u>	<u>1,145</u>	<u>1,640</u>	<u>1,238</u>	<u>769</u>	<u>691</u>
Cement Production	Tons (000)	<u>1,285</u>	<u>1,267</u>	<u>1,034</u>	<u>1,492</u>	<u>1,264</u>	<u>815</u>	<u>720</u>
Cement/Clinker Sales - Domestic Market	Tons (000)	1,003	1,082	923	1,337	1,141	717	553
- Export	Tons (000)	275	192	244	448	132	118	166
	Tons (000)	<u>1,278</u>	<u>1,274</u>	<u>1,166</u>	<u>1,785</u>	<u>1,274</u>	<u>835</u>	<u>720</u>
Capacity Utilization (based on installed capacity)	% age	60%	58%	57%	82%	62%	77%	114%
<b>Financial position</b>								
<b>Assets Employed</b>								
Property plant and equipment	Rs. in mn	8,614	8,938	9,255	9,571	7,511	7,683	6,382
Other long term assets	Rs. in mn	49	54	72	117	134	103	44
Current assets	Rs. in mn	1,184	1,334	1,021	785	966	619	463
<b>Total Assets</b>	Rs. in mn	<u>9,847</u>	<u>10,325</u>	<u>10,348</u>	<u>10,473</u>	<u>8,610</u>	<u>8,405</u>	<u>6,888</u>
<b>Financed by</b>								
Shareholders equity	Rs. in mn	2,467	2,218	2,401	2,305	2,096	2,322	1,621
Surplus on revaluation of fixed assets	Rs. in mn	2,059	2,121	2,181	2,240	574	604	629
Long term liabilities	Rs. in mn	494	591	1,354	2,033	2,930	2,781	2,476
Deferred liabilities	Rs. in mn	424	488	923	925	937	1,299	1,172
Current portion of long term & deferred liabilities	Rs. in mn	2,558	2,570	2,070	1,598	1,151	659	117
Current liabilities	Rs. in mn	1,846	2,338	1,419	1,371	922	740	872
<b>Total Funds Invested</b>	Rs. in mn	<u>9,847</u>	<u>10,325</u>	<u>10,348</u>	<u>10,473</u>	<u>8,610</u>	<u>8,405</u>	<u>6,888</u>
<b>Turnover and profit</b>								
Net turnover	Rs. in mn	5,273	3,873	5,000	4,854	3,185	3,076	2,009
Gross profit / (loss)	Rs. in mn	742	(81)	1,333	514	372	1,231	637
Operating profit	Rs. in mn	543	(299)	889	(12)	187	1,135	515
Profit / (loss) before taxation	Rs. in mn	72	(859)	174	(574)	(184)	933	394
Profit / (loss) after taxation	Rs. in mn	121	(591)	36	(180)	(93)	676	332
EBITDA	Rs. in mn	922	93	1,270	423	562	1,413	748
Earnings / (loss) per share	Rupees	0.54	(2.87)	0.18	(0.93)	(0.50)	4.16	2.46
<b>Cash flow summary</b>								
Net cash generated from / (used) in operating activities	Rs. in mn	916	(82)	914	496	193	1,093	907
Net cash used in investing activities	Rs. in mn	(52)	(73)	(64)	(182)	(235)	(1,574)	(1,520)
Net cash inflow / (outflow) from financing activities	Rs. in mn	(769)	52	(783)	(528)	276	535	593
Increase / (decrease) in cash and cash equivalents	Rs. in mn	94	(103)	67	(213)	234	54	(20)
Cash and cash equivalents at beginning of the year	Rs. in mn	56	159	139	305	72	18	37
Cash and cash equivalents at end of the year	Rs. in mn	150	56	206	92	305	72	18



# FINANCIAL PERFORMANCE (FINANCIAL RATIOS)

	UoM	2011	2010	2009	2008	2007	2006	2005
<b><u>Profitability ratios</u></b>								
Gross profit / (loss) to sales	% age	14.07	(2.09)	26.66	10.58	11.68	40.01	31.72
Operating profit / (loss) to sales	% age	10.30	(7.72)	17.78	(0.25)	5.86	36.90	25.61
Net profit / (loss) before tax to sales	% age	1.36	(22.19)	3.49	(11.83)	(5.79)	30.33	19.60
Net profit / (loss) after tax to sales	% age	2.29	(15.26)	0.72	(3.71)	(2.94)	21.98	16.53
EBITDA to sales	% age	17.49	2.39	25.39	8.72	17.66	45.92	37.22
Return on equity (after tax)	% age	5.31	(26.53)	1.81	(9.02)	(5.51)	41.60	21.46
Return on capital employed	% age	4.89	(23.96)	1.46	(7.30)	(3.79)	27.41	13.46
<b><u>Liquidity ratios</u></b>								
Current ratio	Times	0.27:1	0.27:1	0.29:1	0.26:1	0.47:1	0.44:1	0.47:1
Acid test ratio	Times	0.08:1	0.05:1	0.11:1	0.1:1	0.19:1	0.1:1	0.12:1
EBITDA to current liabilities	Times	0.21:1	0.02:1	0.36:1	0.14:1	0.27:1	1.01:1	0.76:1
<b><u>Activity / turnover ratios</u></b>								
Inventory turnover	Times	4.77	4.61	6.39	8.17	5.41	4.52	4.22
No. of days to inventory	Days	76.46	79.26	57.13	44.69	67.43	80.76	86.41
Receivable turn over	Times	238.03	143.54	172.35	189.21	220.28	264.27	128.28
No. of days in receivables	Days	1.53	2.54	2.12	1.93	1.66	1.38	2.85
Payable turnover	Times	5.69	5.16	4.88	6.47	6.80	5.67	7.37
No. of days in payables	Days	64.18	70.76	74.82	56.38	53.71	64.42	49.51
Operating cycle	Days	13.82	11.04	(15.58)	(9.76)	15.38	17.72	39.75
Total assets turnover	Times	53.55	37.51	48.32	46.35	36.99	36.59	29.17
<b><u>Investment valuation ratios</u></b>								
Earnings / (loss) per share (after tax)	Rs.	0.54	(2.87)	0.18	(0.93)	(0.50)	4.16	2.46
Price / earning ratio (after tax)	Times	10.22	(2.22)	75.44	(30.29)	(74.80)	10.97	8.27
Market value per share as on June 30	Rs.	5.52	6.37	13.58	28.17	37.40	45.65	20.35
<b><u>Capital structure ratios</u></b>								
Financial leverage ratio	% age	9.32	10.44	22.01	28.24	44.91	48.54	52.96
Debt / equity ratio	Times	43:57	46:54	49:51	50:50	65:35	62:38	63:37
Interest coverage ratio	Times	1.52	(0.76)	1.97	(0.03)	0.51	5.76	4.26

# ANALYSIS OF BALANCE SHEET

	UoM	2011	2010	2009	2008	2007	2006	2005
Share capital and reserves	Rs. in mn	2,467	2,218	2,401	2,305	2,096	2,322	1,621
Surplus on revaluation of fixed assets	Rs. in mn	2,059	2,121	2,181	2,240	574	604	629
Non current liabilities	Rs. in mn	918	1,078	2,277	2,958	3,867	4,080	3,648
Current portion of long term & deferred liabilities	Rs. in mn	2,558	2,570	2,070	1,598	1,151	659	117
Current liabilities	Rs. in mn	1,846	2,338	1,419	1,371	922	740	872
<b>Total equity and liabilities</b>	Rs. in mn	<b>9,847</b>	<b>10,325</b>	<b>10,348</b>	<b>10,473</b>	<b>8,610</b>	<b>8,405</b>	<b>6,888</b>
Non current assets	Rs. in mn	8,663	8,991	9,327	9,688	7,644	7,786	6,425
Current assets	Rs. in mn	1,184	1,334	1,021	785	966	619	463
<b>Total assets</b>	Rs. in mn	<b>9,847</b>	<b>10,325</b>	<b>10,348</b>	<b>10,473</b>	<b>8,610</b>	<b>8,405</b>	<b>6,888</b>
<b>Vertical analysis</b>								
Share capital and reserves	% age	25.05	21.48	23.20	22.01	24.34	27.63	23.54
Surplus on revaluation of fixed assets	% age	20.91	20.54	21.08	21.39	6.67	7.19	9.14
Non current liabilities	% age	9.32	10.44	22.01	28.24	44.91	48.54	52.96
Current portion of long term & deferred liabilities	% age	25.98	24.89	20.00	15.26	13.36	7.84	1.70
Current liabilities	% age	18.75	22.65	13.72	13.10	10.71	8.80	12.66
<b>Total equity and liabilities</b>	% age	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Non current assets	% age	87.97	87.08	90.14	92.50	88.78	92.63	93.28
Current assets	% age	12.03	12.92	9.86	7.50	11.22	7.37	6.72
<b>Total assets</b>	% age	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Horizontal analysis (i)</b>								
<b>Cumulative</b>								
Share capital and reserves	% age	52.16	36.83	48.08	42.21	29.31	43.24	100.00
Surplus on revaluation of fixed assets	% age	227.15	236.97	246.55	255.92	(8.76)	(3.97)	100.00
Non current liabilities	% age	(74.84)	(70.44)	(37.58)	(18.91)	6.00	11.85	100.00
Current portion of long term & deferred liabilities	% age	2,079.20	2,089.49	1,663.50	1,261.28	880.42	461.35	100.00
Current liabilities	% age	111.70	168.12	62.72	57.25	5.77	(15.17)	100.00
<b>Total equity and liabilities</b>	% age	<b>42.97</b>	<b>49.91</b>	<b>50.23</b>	<b>52.04</b>	<b>25.01</b>	<b>22.03</b>	<b>100.00</b>
Non current assets	% age	34.83	39.94	45.16	50.77	18.97	21.18	100.00
Current assets	% age	155.94	188.32	120.58	69.66	108.85	33.88	100.00
<b>Total assets</b>	% age	<b>42.97</b>	<b>49.91</b>	<b>50.23</b>	<b>52.04</b>	<b>25.01</b>	<b>22.03</b>	<b>100.00</b>
<b>Horizontal analysis (ii)</b>								
<b>Year vs Year</b>								
Share capital and reserves	% age	11.20	(7.60)	4.12	9.98	(9.73)	43.24	100.00
Surplus on revaluation of fixed assets	% age	(2.92)	(2.76)	(2.63)	290.08	(4.99)	(3.97)	100.00
Non current liabilities	% age	(14.89)	(52.65)	(23.02)	(23.50)	(5.23)	11.85	100.00
Current portion of long term & deferred liabilities	% age	(0.47)	24.16	29.55	38.85	74.65	461.35	100.00
Current liabilities	% age	(21.04)	64.77	3.48	48.67	24.69	(15.17)	100.00
<b>Total equity and liabilities</b>	% age	<b>(4.63)</b>	<b>(0.21)</b>	<b>(1.19)</b>	<b>21.63</b>	<b>2.44</b>	<b>22.03</b>	<b>100.00</b>
Non current assets	% age	(3.65)	(3.60)	(3.72)	26.73	(1.82)	21.18	100.00
Current assets	% age	(11.23)	30.71	30.01	(18.76)	56.00	33.88	100.00
<b>Total assets</b>	% age	<b>(4.63)</b>	<b>(0.21)</b>	<b>(1.19)</b>	<b>21.63</b>	<b>2.44</b>	<b>22.03</b>	<b>100.00</b>



# ANALYSIS OF PROFIT AND LOSS ACCOUNT

	UoM	2011	2010	2009	2008	2007	2006	2005
Net turnover	Rs. in mn	5,272.9	3,872.8	5,000.2	4,853.8	3,185.4	3,075.9	2,009.4
Cost of sales	Rs. in mn	(4,531.2)	(3,953.8)	(3,667.3)	(4,340.2)	(2,813.3)	(1,845.3)	(1,372.0)
<b>Gross profit</b>	Rs. in mn	<b>741.7</b>	<b>(81.0)</b>	<b>1,332.9</b>	<b>513.6</b>	<b>372.1</b>	<b>1,230.6</b>	<b>637.4</b>
Distribution cost	Rs. in mn	(150.6)	(158.8)	(360.0)	(466.0)	(108.4)	(39.2)	(32.7)
Administrative cost	Rs. in mn	(52.3)	(78.8)	(97.7)	(90.0)	(86.9)	(74.0)	(65.3)
Other income / (charges)	Rs. in mn	4.1	19.5	14.0	30.4	9.9	17.7	(24.8)
<b>Operating profit</b>	Rs. in mn	<b>542.9</b>	<b>(299.2)</b>	<b>889.2</b>	<b>(12.0)</b>	<b>186.7</b>	<b>1,135.1</b>	<b>514.7</b>
Finance cost	Rs. in mn	(357.9)	(392.7)	(451.5)	(413.2)	(365.8)	(196.9)	(120.7)
Exchange loss - net	Rs. in mn	(113.2)	(167.5)	(263.5)	(148.8)	(5.3)	(5.1)	-
<b>Profit / (loss) before taxation</b>	Rs. in mn	<b>71.8</b>	<b>(859.3)</b>	<b>174.3</b>	<b>(574.0)</b>	<b>(184.4)</b>	<b>933.1</b>	<b>393.9</b>
Taxation	Rs. in mn	48.8	268.4	(138.2)	394.0	90.9	(257.1)	(61.8)
<b>Profit / (loss) after taxation</b>	Rs. in mn	<b>120.7</b>	<b>(590.9)</b>	<b>36.1</b>	<b>(180.0)</b>	<b>(93.5)</b>	<b>676.0</b>	<b>332.1</b>

## Vertical analysis

Net turnover	% age	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cost of sales	% age	(85.93)	(102.09)	(73.34)	(89.42)	(88.32)	(59.99)	(68.28)
<b>Gross profit</b>	% age	<b>14.07</b>	<b>(2.09)</b>	<b>26.66</b>	<b>10.58</b>	<b>11.68</b>	<b>40.01</b>	<b>31.72</b>
Distribution cost	% age	(2.86)	(4.10)	(7.20)	(9.60)	(3.40)	(1.28)	(1.63)
Administrative cost	% age	(0.99)	(2.04)	(1.95)	(1.85)	(2.73)	(2.41)	(3.25)
Other income / (charges)	% age	0.08	0.50	0.28	0.63	0.31	0.58	(1.23)
<b>Operating profit</b>	% age	<b>10.30</b>	<b>(7.72)</b>	<b>17.78</b>	<b>(0.25)</b>	<b>5.86</b>	<b>36.90</b>	<b>25.61</b>
Finance cost	% age	(6.79)	(10.14)	(9.03)	(8.51)	(11.49)	(6.40)	(6.01)
Exchange loss - net	% age	(2.15)	(4.32)	(5.27)	(3.07)	(0.17)	(0.17)	-
<b>Profit / (loss) before taxation</b>	% age	<b>1.36</b>	<b>(22.19)</b>	<b>3.49</b>	<b>(11.83)</b>	<b>(5.79)</b>	<b>30.33</b>	<b>19.60</b>
Taxation	% age	0.93	6.93	(2.76)	8.12	2.86	(8.36)	(3.08)
<b>Profit / (loss) after taxation</b>	% age	<b>2.29</b>	<b>(15.26)</b>	<b>0.72</b>	<b>(3.71)</b>	<b>(2.94)</b>	<b>21.98</b>	<b>16.53</b>

## Horizontal analysis (i)

Cumulative								
Net turnover	% age	162.41	92.73	148.84	141.55	58.52	53.07	100.00
Cost of sales	% age	230.26	188.18	167.30	216.33	105.05	34.49	100.00
<b>Gross profit</b>	% age	<b>16.36</b>	<b>(112.70)</b>	<b>109.11</b>	<b>(19.42)</b>	<b>(41.62)</b>	<b>93.07</b>	<b>100.00</b>
Distribution cost	% age	361.01	386.32	1,002.12	1,326.88	231.90	20.08	100.00
Administrative cost	% age	(19.92)	20.67	49.47	37.72	32.97	13.26	100.00
Other income / (charges)	% age	(116.42)	(178.74)	(156.48)	(222.78)	(139.99)	(171.51)	100.00
<b>Operating profit</b>	% age	<b>5.49</b>	<b>(158.13)</b>	<b>72.78</b>	<b>(102.33)</b>	<b>(63.72)</b>	<b>120.56</b>	<b>100.00</b>
Finance cost	% age	196.42	225.20	273.90	242.21	202.99	63.11	100.00
Exchange loss - net	% age	(23.96)	12.57	77.07	100.00	-	-	-
<b>Profit / (loss) before taxation</b>	% age	<b>(81.77)</b>	<b>(318.15)</b>	<b>(55.75)</b>	<b>(245.72)</b>	<b>(146.82)</b>	<b>136.87</b>	<b>100.00</b>
Taxation	% age	(178.97)	(534.08)	123.50	(737.30)	(247.09)	315.80	100.00
<b>Profit / (loss) after taxation</b>	% age	<b>(63.67)</b>	<b>(277.94)</b>	<b>(89.13)</b>	<b>(154.19)</b>	<b>(128.15)</b>	<b>103.55</b>	<b>100.00</b>

## Horizontal analysis (ii)

Year vs Year								
Net turnover	% age	36.15	(22.55)	3.02	52.37	3.56	53.07	100.00
Cost of sales	% age	14.60	7.81	(15.50)	54.27	52.46	34.49	100.00
<b>Gross profit</b>	% age	<b>(1,015.94)</b>	<b>(106.08)</b>	<b>159.51</b>	<b>38.03</b>	<b>(69.76)</b>	<b>93.07</b>	<b>100.00</b>
Distribution cost	% age	(5.20)	(55.87)	(22.76)	329.91	176.40	20.08	100.00
Administrative cost	% age	(33.63)	(19.27)	8.53	3.57	17.40	13.26	100.00
Other income / (charges)	% age	(79.15)	39.40	(54.00)	207.04	(44.08)	(171.51)	100.00
<b>Operating profit</b>	% age	<b>(281.47)</b>	<b>(133.64)</b>	<b>(7,503.00)</b>	<b>(106.43)</b>	<b>(83.55)</b>	<b>120.56</b>	<b>100.00</b>
Finance cost	% age	(8.85)	(13.03)	9.26	12.94	85.76	63.11	100.00
Exchange loss - net	% age	(32.44)	(36.43)	77.07	-	-	-	-
<b>Profit / (loss) before taxation</b>	% age	<b>(108.36)</b>	<b>(592.99)</b>	<b>(130.37)</b>	<b>211.22</b>	<b>(119.77)</b>	<b>136.87</b>	<b>100.00</b>
Taxation	% age	(81.81)	(294.22)	(135.07)	333.27	(135.38)	315.80	100.00
<b>Profit / (loss) after taxation</b>	% age	<b>(120.42)</b>	<b>(1,736.28)</b>	<b>(120.07)</b>	<b>92.49</b>	<b>(113.83)</b>	<b>103.55</b>	<b>100.00</b>

# STATEMENT OF VALUE ADDITION & ITS DISTRIBUTION

	2011		2010	
	Rs. in '000'	%	Rs. in '000'	%
<b>Wealth Generated</b>				
Total revenue inclusive of taxes and other income	6,969,991		5,567,112	
Bought in material and services	(4,035,895)		(3,688,260)	
	<b>2,934,096</b>	<b>100.00</b>	<b>1,878,852</b>	<b>100.00</b>

## Wealth Distribution

### To Employees

Salaries, benefits and other costs	257,706	8.78	279,221	14.86
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### To Government

Income Taxes, sales taxes, excise duty and others	1,681,295	57.30	1,452,007	77.28
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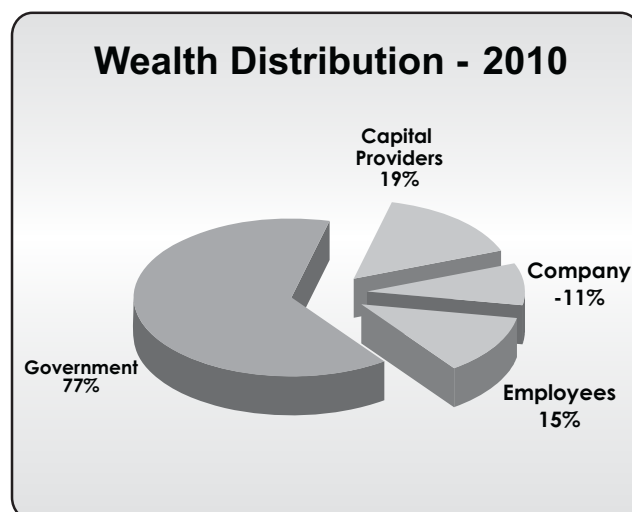
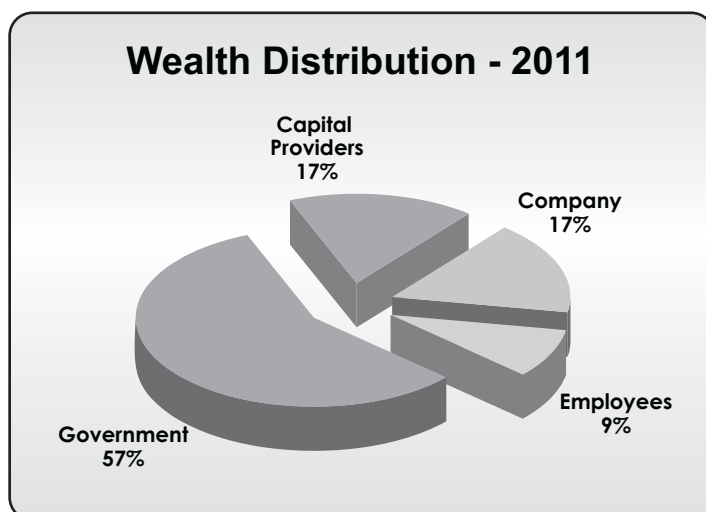
### To Capital Providers

Dividend, principal, markup / profit to lenders	495,270	16.88	346,706	18.45
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### To Company

Depreciation, amortization & retained profit / (loss)	499,825	17.04	(199,082)	(10.60)
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	<b>2,934,096</b>	<b>100.00</b>	<b>1,878,852</b>	<b>100.00</b>
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# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of Pioneer Cement Limited will be held at 66 Garden Block, New Garden Town, Lahore on Monday, October 31, 2011 at 11:30 a.m. to transact the following business:-

1. To confirm the minutes of the extraordinary general meeting held on March 31, 2011.
2. To receive, consider and adopt the audited accounts for the year ended 30 June, 2011 and the reports of the directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration.
4. To elect seven directors in accordance with the provisions of section 178 of the Companies ordinance, 1984.
5. To transact any other business as may be placed before the meeting with the permission of the chairman.


The Board of Directors has fixed the number of elected directors as seven for the purpose of elections at this meeting. The tenure of the elected directors will be three years from the date of election.

The names of the retiring directors are:

- |                             |                         |
|-----------------------------|-------------------------|
| 1. Mr. Asif Hussain Bukhari | 2. Mr. Omer Adil Jaffer |
| 3. Mr. William G. Rodgers   | 4. Mr. Aly Khan         |
| 5. Mr. Cevdet Dal           | 6. Mr. Etrat H. Rizvi   |
| 7. Mr. Saleem Shahzada      |                         |

Any person who seeks to contest this election shall file with the Company at the Registered Office, not later than fourteen days before the date of the meeting, a notice of his/her intention to offer himself/herself for election as a director.

The share transfer books of the Company will remain closed from October 23, 2011 to October 31, 2011 (both days inclusive) for the purpose of holding the AGM.



By order of the Board  
SYED ANWAR ALI  
Company Secretary

September 26, 2011

## 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 and representatives of corporate entities are requested to bring original NIC/Passport for the purpose of identification to attend the meeting and follow the guidelines contained in Circular No.1 of 2000 dated January 26, 2000 issued by SECP reproduced on reverse of the Proxy Form.
2. Shareholders are requested to immediately notify the change in address, if any.



# DIRECTORS' REPORT

The Directors of your Company are pleased to present the annual financial report for the year ended June 30, 2011.

## ECONOMIC HORIZON:

The financial Year 2011 (FY2011) proved to be another challenging year for Pakistan's economy. The country registered a GDP growth of mere 2.4% against a target of 4.5%, which was even weaker than 3.9% achieved in FY2010. The slowdown in growth was anticipated after the devastation caused by unprecedented floods in various parts of the country in August 2010, causing colossal losses of human lives, properties, standing crops and infrastructure. The growth also hampered due to re-allocation of development funds to disaster management and rehabilitation of affected people. Another major factor constraining growth is persistent shortage of power and gas supply. Persistent high inflation with higher interest rate also had a bearing on the real estate sector growth.

On the positive side, growth stimulus came from exogenous factors. Pakistan's exports achieved new height and home remittances registered a record inflow. This helped State Bank of Pakistan (SBP) in building foreign exchange reserves and keeping foreign exchange rates at stable level, with current account posting a surplus after seven years. Going forward, energy crisis and rising energy cost will continue to pose hindrance in the growth of manufacturing sector.

## CEMENT SECTOR DYNAMICS:

The FY2011 has also been a difficult year for the cement industry, with waning dispatches and rising input costs, particularly energy cost i.e., coal and electricity prices. The international coal prices (C&F) which were hovering around US \$ 103 per ton at the advent of the year reached as high as US \$ 145 during June 2011 as a result of higher demand and decline in coal production due to suspension of mine operations after floods in Queensland, Australia. The prevailing unrest in Middle Eastern countries pushed up oil prices that increased ocean freight and also impacted coal prices.

*Alhamdulillah*, there has been some improvement in cement prices to mitigate the impact of increased input cost. However, cement sector continued to suffer from lower capacity utilization that dropped to 76% in FY2011, from 83% last year. This translates to 31.4 million tons dispatches compared to 34.2 million tons last year. Domestic sales volumes declined by 7% whereas exports declined by 12%, resulting in a net volume decline of 8% over last year. The mismatch in demand and supply between North and South regions resulted in 20% higher dispatches in South but 11% decline in North, resulting in a net decline of 7% at country level. The comparative numbers are given below:

	Industry Dispatches Tons in million		%
South	4.08	3.40	20%
North	17.89	20.15	-11%
Total Local	21.97	23.55	-7%
Export	9.41	10.66	-12%
<b>Total</b>	<b>31.38</b>	<b>34.21</b>	<b>-8%</b>

Exports volumes continued to decline for the second consecutive year, resulting in a decline of 12% to 9.4 million tons from 10.7 million tons exported last year. The decline is mainly due to slump in construction activities in Middle Eastern countries and enhanced regional capacities. Increased demand from Afghanistan helped eluding greater fall, consequently share of exports to Afghanistan increased to 50% from 38% last year. However, net selling prices on exports to Afghanistan remained low due to high transportation cost and fierce competition among exporters to achieve higher capacity utilization.

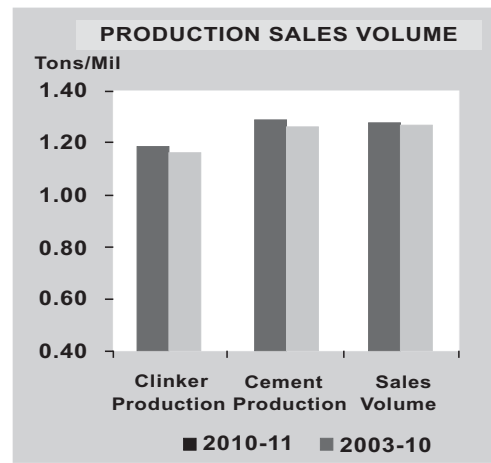
## BUSINESS PERFORMANCE

### Production and Sales Volume:

Clinker production of 1,189,298 tons is 2% higher, compared to 1,163,230 tons produced last year. Cement production of 1,284,927 tons is a marginal increase of 1% from 1,266,968 tons achieved last year, mainly on account of higher exports by the Company, despite exports declining 12% at national level.

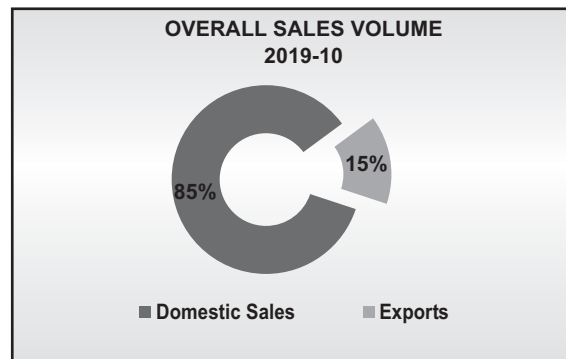
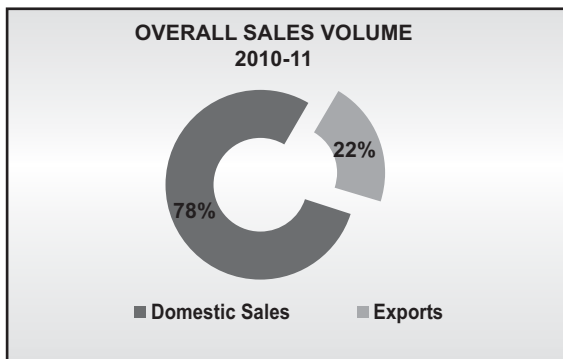


	FY 2011 ----- Tones -----	FY 2010 ----- Tones -----	Change %
<b>Clinker Production</b>	<u>1,189,298</u>	<u>1,163,230</u>	2%
<b>Cement Production</b>	<u>1,284,927</u>	<u>1,266,968</u>	1%
<b>Sales Volume:</b>			
Local	1,003,048	1,081,700	-7%
Export	275,415	191,864	44%
	<u>1,278,463</u>	<u>1,273,564</u>	0%



Overall volumetric sales for the year under review at 1,278,463 tons were marginally higher than 1,273,564 tons sold during last year. It comprised 1,003,047 tons of domestic sales and 275,416 tons exports vs. 1,081,700 tons local sales and 191,864 tons exports in the last year.

Domestic sales volume has declined 7% to 1,003,047 tons from 1,081,700 tons sold last year due to lower domestic demand. The decline in domestic sales was mitigated with a significant growth of 44% in export volume, accomplishing 275,416 tons vs. 191,864 tons exported last year.



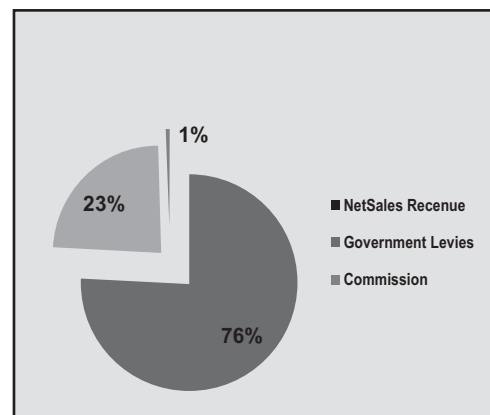
#### Financial Results:

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

	FY 2011	FY 2010	--->Variances<---	
	----- Rupees in million -----			%
Net Sales Revenue	5,272.9	3,872.8	1,400.1	36%
Cost of Goods Sold	4,531.2	3,953.8	577.4	15%
Gross Profit / (Loss)	741.7	(81.0)	822.7	-
Operating Profit / (Loss)	542.9	(299.2)	842.1	-
Net Profit/(Loss) before tax	71.8	(859.3)	931.1	-
Net Profit/(Loss) after tax	120.7	(590.9)	711.6	-

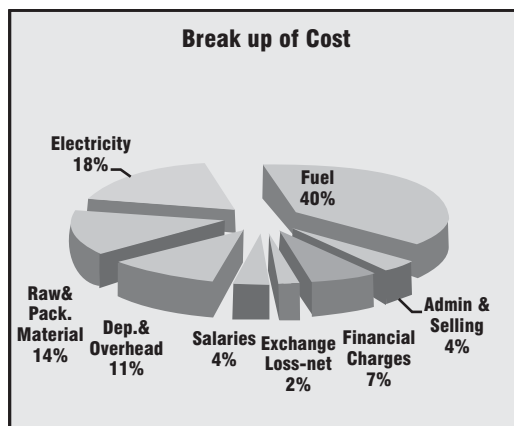
Net sales revenue for FY 2011 of Rs.5,273 million is an increase of 36%, compared to Rs.3,873 million achieved last year. The significant growth in top line was a mix of improved net selling prices and the concerted marketing efforts to increase sales in closer vicinity to Plant, providing better net selling prices due to lower transportation cost.

The cost of goods sold increased by 15% to stand at Rs.4,531 million as compared to Rs.3,954 million incurred in the same period last year. The cost components that pushed up the cost of production were coal, electricity, packing material, diesel and lubricants. Your Company achieved a gross profit of Rs.741.7 million compared to a gross loss of Rs.80.9 million during comparative period last year.





Alhamdulillah, your Company has achieved a turn-around earning a pretax profit of Rs.71.8 million against a significant pretax loss of Rs.859.3 million suffered last year. The net profit after tax stood at Rs.120.6 million after accounting for net deferred tax credit of Rs.48.8 million. The Company incurred a net exchange loss of Rs.113.2 million on account of devaluation of Pak-Rupee compared to Rs.167.5 million charged in FY 2010. Finance costs have declined by 9% from Rs.392.7 million last year to Rs.357.9 million on account of settlement of certain finance leases and efficient utilization of funds with improved liquidity position of the Company.



The cost control measures also helped to reduce other operating expenses whereby admin expenses were significantly reduced by 33.6% to Rs.52.3 million from Rs.78.8 million incurred last year. Distribution cost was also reduced by over 5% to Rs.150.6 million from Rs.158.8 million incurred last year.

Your Company has taken various measures to bring efficiency in operations such as homogenization of raw materials and installation of bucket elevators at cement silos to help reduce electricity cost.

### Financial Restructuring

By the grace of Almighty Allah, the loans which were restructured in FY 2010 are now regular. All terms and conditions of the restructuring agreement with the National Bank of Pakistan (NBP) have been complied with, except issuance of preference shares amounting Rs.757 million, which was not approved by the required majority of shareholders in the EOGM held on March 31, 2011. The Company is in liaison with NBP and has submitted certain options for an amicable solution.

With reference to the foreign currency loans from Asian Development Bank (ADB) and Asian Finance and Investment Corporation (AFIC), management is in discussion with the lenders for restructuring of these loans and has proposed certain restructuring options for evaluation and endorsement. The management is confident of a favorable solution.

### APPROPRIATION

Keeping in view the financial position and working capital constraints of the Company, the Directors have not recommended any dividend or bonus shares for the year ended June 30, 2011.

### FUTURE PROSPECTS

The economy is still reeling with inflation, law and order issues, political instability and recent floods in Sindh province. Despite these odds, picture looks some what positive with higher overall exports, record home remittances and an all-time high foreign exchange reserves. The downgrading of United State and ongoing Euro Zone debts crisis may help improve balance of payments with lower import bill, lower commodity prices, and particularly lower international oil prices that should ease pressure on inflation. However, the macroeconomic outlook is dependent on the ability of the Government to improve collection of revenue, control inflation, provide uninterrupted power and gas and improve security situation across the country.

Cement industry that had been struggling hard for its survival is expected to show some recovery. The domestic cement demand is expected to revive in FY 2012 on the back of number of factors like increased allocation of Rs.730 billion for Public Sector Development Program (PSDP) in fiscal budget 2011-12, reduction in excise duty (by Rs.250/ton) and sales tax (by 1%) and government's plans to construct dams. These measures are expected to have a positive impact on consumption of cement that would ensure sustainability of the cement industry, particularly plants located up North.

To earn much needed foreign exchange, the government should allow subsidy on export of cement via sea, as was done in 2009 trade policy. This will ease the burden of heavy inland freight charges from the northern areas to port, that have made the exports unfeasible.

Your Company continued to focus on cost reduction and efficiencies to bring down fuel and electricity cost. To mitigate the increasing cost of coal, Company has made arrangement for use of alternate fuel including tire derived fuel (TDF). A successful inspection and testing for the use of TDF was carried out by national and provincial environment protection agencies (EPA) and Company is now pursuing for the NOC to use TDF, which shall bring savings in fuel cost.

## **CONTRIBUTION TO NATIONAL EXCHEQUER**

Your Company has contributed Rs.1,681 million to the National Exchequer during the year under review in the shape of Excise Duty and Taxes 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**

The Company has been maintaining Provident Fund which has been duly recognized by the Tax Authorities. In addition, the Company is also providing unfunded gratuity facility to its contract workers.

## **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**

On unexpected demise of Mr. Manzoor Hayat Noon, Mr. Asif Bukhari is placed in as Director. The Board welcome the new director on Board and expresses their condolences for irreparable loss of Mr. Noon. The Board also acknowledges the guidance and contribution of Mr. Noon to the Board for the improvements in the Company.

## **AUDIT COMMITTEE**

The audit committee appointed by the Board consists of five non-executive directors including the chairman of the committee. The committee supervises the internal controls of the company through internal audit department in accordance with the guidelines provided in the Listing Regulations 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 the 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 except as stated in note 3.3.
- 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 regularly reviewed. This is formalized by the Board's Audit Committee and is updated as and when needed.
- 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, 2011 is Rs. 68 million.



## BOARD MEETINGS

j) Seven Board Meetings were held during the year which were attended by the directors, as under:

NAME	Meetings attended during the year
Mr. Manzoor Hayat Noon (deceased) / Mr. Asif H. Bukhari	7 **
Mr. Aly Khan	5 **
Mr. Cevdet Dal	3 *
Mr. Etrat Hussain Rizvi	7
Mr. Omer Adil Jaffer	7
Mr. Saleem Shahzada	3
Mr. William Gordon Rodgers	6 **
Mr. Wajahat A. Baqai / Mr. Nadeem Ilyas / Mr. Javed Haider (NBP)	5
Mr. Rafique Dawood (FDIBL)	7
Syed Mazher Iqbal (MD & CEO)	7

\*Some/\*\*All meetings were attended by alternate directors

## SHAREHOLDING

Pattern and categories of shareholding is printed separately.  
Other detail is given as under:-

Aggregate number of shares held by:

### THE DIRECTORS/CEO AND THEIR SPOUSE AND MINOR CHILDREN AS AT JUNE 30, 2011

NAME	OWN SELF	SPOUSE	MINOR CHILDREN
Mr. Asif H. Bukhari	3,000	NIL	NIL
Mr. Aly Khan	1	NIL	NIL
Mr. Cevdet Dal	24,001,390	NIL	NIL
Mr. Etrat Hussain Rizvi	8,000	NIL	NIL
Mr. Omer Adil Jaffer	500	NIL	NIL
Mr. Saleem Shahzada	26,243	NIL	NIL
Mr. William Gordon Rodgers	1	NIL	NIL
Mr. Javed Haider (NBP)	NIL	NIL	NIL
Mr. Rafique Dawood (FDIBL)	19,340	NIL	NIL
Syed Mazher Iqbal (MD & CEO)	NIL	NIL	NIL

ii) EXECUTIVES 106,237

### iii) SHAREHOLDERS HOLDING 10% OR MORE SHARES

Mr. Manzoor Hayat Noon (deceased)	39,230,453
Vision Holdings Middle East Ltd	49,084,872
National Bank of Pakistan	27,526,759
Mr. Cevdet Dal	24,001,390

### iv) TRADING IN THE SHARES BY THE DIRECTORS, CEO, CFO AND COMPANY SECRETARY DURING THE YEAR

	SALE	PURCHASE
Mr. Cevdet Dal	NIL	21,413,750

### v) SHAREHOLDING OF CEO IN ASSOCIATED COMPANY'S SHAREHOLDING AS AT June 30, 2011

NIL



## **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 the years.

## **HEALTH, SAFETY AND ENVIRONMENT**

The Management took up this project in the year 2002 and achieved ISO 14001 Certification from Moody International Certificate 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 has been developed which monitor these aspects and point out the potential hazards. These are reviewed and all necessary preventative measures are taken to avoid accidents.

## **AUDITORS**

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

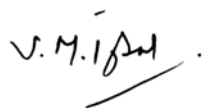
## **ACKNOWLEDGEMENT**

We thank our customers for their continued support and trust in the quality of our products. We are also grateful to the distributors, contractors and suppliers for their continued support and cooperation.

Thanks are due to all the lender banks and financial institutions particularly the major lender National bank of Pakistan for their support and cooperation with the Company.

The board also wishes to thank our employees for their dedications, loyalty and hard work.

## **For and on behalf of the Board**



**Syed Mazher Iqbal**  
Chief Executive

September 26, 2011  
Karachi

# Compliance With Best Practices of Code of Corporate Governance

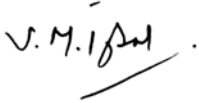
This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices 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 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 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 seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities. In view of the foregoing the Board does not require to be 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 five 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.



**Syed Mazher Iqbal**  
Chief Executive

September 26, 2011  
Karachi



## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

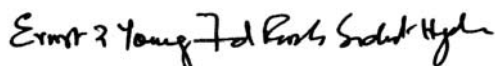
We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2011**, prepared by the Board of Directors of **Pioneer Cement Limited** (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) of Karachi Stock Exchange (Guarantee)Limited, Listing Regulation No. 35 (Chapter XI) of Lahore Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 (Chapter XI) of 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, the Listing Regulations require the Company to place before the board of directors for their consideration and approval, 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 2011**.



**Chartered Accountants**

September 26, 2011  
Karachi

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pioneer Cement Limited** (the Company) as at **30 June 2011** and the related profit and loss account, statement of comprehensive income, 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, except for the change as stated in note 3.3 to the accompanying financial statements, with which we concur;
  - ii) 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, statement of comprehensive income, 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 2011** and of the profit, its comprehensive Income, 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.

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants  
Audit Engagement Partner: Shariq Ali Zaidi  
September 26, 2011  
Karachi.

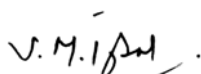


**BALANCE SHEET**

AS AT JUNE 30, 2011

	Note	2011 ----- (Rupees in '000') -----	2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	8,612,974	8,937,904
Intangible assets	5	989	-
		<b>8,613,963</b>	8,937,904
Long-term loans - secured, considered good	6	201	482
Long-term deposits - considered good	7	49,005	53,080
		<b>8,663,169</b>	8,991,466
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	672,489	932,961
Stock-in-trade	9	160,926	132,072
Trade debts - unsecured, considered good	10	21,475	36,851
Loans, advances, trade deposits and short - term prepayments	11	65,043	53,902
Other receivables	12	29,437	20,845
Current portion of long - term deposits	7	10,000	25,014
Taxation - net		74,649	76,511
Cash and bank balances	13	150,172	55,872
		<b>1,184,191</b>	1,334,028
<b>TOTAL ASSETS</b>		<b>9,847,360</b>	10,325,494
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	14	3,500,000	3,500,000
Issued, subscribed and paid-up capital	15	2,271,489	2,227,552
Reserves		195,136	(9,334)
		<b>2,466,625</b>	2,218,218
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	16	<b>2,058,777</b>	2,120,629
<b>NON-CURRENT LIABILITIES</b>			
Long - term loans - secured	17	368,919	466,231
Long - term financing - secured	18	35,648	-
Liabilities against assets subject to finance lease	19	87,505	120,797
Deferred liabilities	20	423,903	487,764
Long - term deposits	21	1,763	1,168
Long - term creditor - unsecured	22	-	2,348
		<b>917,738</b>	1,078,308
<b>CURRENT LIABILITIES</b>			
Trade and other payables	23	689,561	903,936
Accrued interest / mark up		440,492	342,892
Short-term Murabaha - secured	24	124,954	399,109
Short-term borrowings - secured	25	560,561	670,852
Current portion of non - current liabilities	26	2,557,861	2,569,938
Sales tax - net		30,791	21,612
		<b>4,404,220</b>	4,908,339
<b>CONTINGENCIES AND COMMITMENTS</b>	27		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,847,360</b>	10,325,494

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



Syed Mazher Iqbal  
Chief Executive Officer



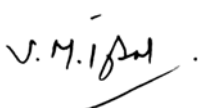
Rafique Dawood  
Director



**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 ----- (Rupees in '000') -----	2010
<b>Gross turnover</b>	28	<b>6,941,622</b>	5,329,223
Excise duty [including special excise duty [Rs 66,612,941/- (2010: Rs.32,230,209/-)]		<b>769,157</b>	789,420
Sales tax		<b>858,383</b>	636,834
Commission		<b>41,194</b>	30,135
		<b>1,668,734</b>	1,456,389
<b>Net turnover</b>		<b>5,272,888</b>	3,872,834
Cost of sales	29	<b>4,531,162</b>	3,953,814
<b>Gross profit / (loss)</b>		<b>741,726</b>	(80,980)
Distribution cost	30	<b>150,576</b>	158,842
Administrative expenses	31	<b>52,321</b>	78,835
Other operating income	32	<b>(20,197)</b>	(20,285)
Other operating expenses	33	<b>16,132</b>	790
<b>Operating profit / (loss)</b>		<b>542,894</b>	(299,162)
Finance cost	34	<b>357,916</b>	392,658
Exchange loss - net		<b>113,154</b>	167,499
<b>Profit / (loss) before taxation</b>		<b>71,824</b>	(859,319)
Taxation	35	<b>48,826</b>	268,394
<b>Profit / (loss) for the year</b>		<b>120,650</b>	(590,925)
		<b>(Rupee)</b>	<b>(Rupees)</b>
<b>Earnings / (loss) per share - Basic and diluted</b>	36	<b>0.54</b>	(2.87)

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

  
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Syed Mazher Iqbal  
Chief Executive Officer

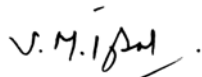
  
\_\_\_\_\_  
Rafique Dawood  
Director

## STATEMENT OF COMPREHENSIVE INCOME

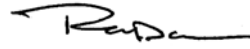
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in '000') -----	
Profit / (loss) for the year	120,650	(590,925)
Other comprehensive income / (loss) - net of tax	-	-
Total comprehensive income / (loss) for the year	<u>120,650</u>	<u>(590,925)</u>

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



Syed Mazher Iqbal  
Chief Executive Officer



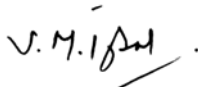
Rafique Dawood  
Director



**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 ----- (Rupees in '000') -----	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash flows generated from / (used in) operations</b>	40	<b>957,647</b>	(87,770)
Income tax paid		(52,605)	(18,774)
Workers' Profit Participation Fund		-	(9,371)
Gratuity and compensated absences paid		(9,286)	(5,879)
Dividend paid		(5)	(19)
		(61,896)	(34,043)
Decrease in long-term loans		281	7,081
Decrease in long-term deposits – net		19,684	32,343
<b>Net cash flows generated from / (used in) operating activities</b>		<b>915,716</b>	(82,389)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(56,238)	(77,301)
Proceeds from sale of operating fixed assets	4.1.5	4,242	3,838
<b>Net cash used in investing activities</b>		<b>(51,996)</b>	(73,463)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Liabilities against assets subject to finance lease (Repayment) / proceeds from Murabaha finance – net		(112,727) (274,155)	(210,044) 399,109
Long-term financing		(26,223)	-
Long-term loans		(60,997)	(116,385)
Short-term borrowings		(110,291)	115,152
Finance costs paid		(185,027)	(135,410)
<b>Net cash (used in) / generated from financing activities</b>		<b>(769,420)</b>	52,422
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>94,300</b>	(103,430)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>55,872</b>	159,302
<b>Cash and cash equivalents at the end of the year</b>	13	<b>150,172</b>	55,872

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

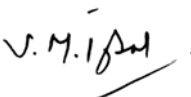
  
\_\_\_\_\_  
Syed Mazher Iqbal  
Chief Executive Officer

  
\_\_\_\_\_  
Rafique Dawood  
Director

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue reserve Accumulated profit / (loss)	Total reserves	Total equity
	----- (Rupees in '000') -----				
<b>Balance as at June 30, 2009</b>	1,995,324	59,435	345,782	405,217	2,400,541
Issuance of shares against outstanding liability (note 15.2)	232,228	116,114	-	116,114	348,342
Loss for the year after taxation	-	-	(590,925)	(590,925)	(590,925)
Other comprehensive income / (loss), net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	(590,925)	(590,925)	(590,925)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the year – net of tax	-	-	60,260	60,260	60,260
<b>Balance as at June 30, 2010</b>	<b>2,227,552</b>	<b>175,549</b>	<b>(184,883)</b>	<b>(9,334)</b>	<b>2,218,218</b>
Issuance of shares against outstanding liability (note 15.3)	43,937	21,968	-	21,968	65,905
Profit for the year after taxation	-	-	120,650	120,650	120,650
Other comprehensive income / (loss), net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	120,650	120,650	120,650
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the year – net of tax	-	-	61,852	61,852	61,852
<b>Balance as at June 30, 2011</b>	<b>2,271,489</b>	<b>197,517</b>	<b>(2,381)</b>	<b>195,136</b>	<b>2,466,625</b>

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

  
\_\_\_\_\_  
Syed Mazher Iqbal  
Chief Executive Officer

  
\_\_\_\_\_  
Rafique Dawood  
Director



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 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 operations with an installed capacity of 2,000 tons per day clinker. During 2005, the capacity was optimized to 2,350 tons per day. During the year ended June 30, 2006, another production line of 4,300 tons per day clinker capacity was completed which started commercial operations from April 2006.
- 1.3. The Company's management has made an assessment of the Company's ability to continue as a going concern taking into account the restructuring of local loans, profitability of the Company and future projections duly approved by the Board of Directors. The management is also pursuing loan restructuring with Asian Development Bank. On the basis of the above assessment, the management is satisfied that the Company has the resources to continue its business and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, these financial statements have been prepared on the basis of going concern.

### 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 (IASB) 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

The financial statements have been prepared under the 'historical cost convention' except for freehold land, factory building, plant and machinery and coal firing system which have been carried at revalued amounts as referred to in notes 3.4 and 4.1. These financial statements are presented in Company's functional and presentation currency of Pakistani Rupee.

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

The following revised standards, amendments 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 - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12	Income Tax (Amendment) – Deferred Taxes : Recovery of underlying assets	January 01, 2012



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

<b>Standard or Interpretation</b>		<b>Effective date (accounting periods beginning on or after)</b>
IAS 19	Employee Benefits - Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project, primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>	
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

### 3.3. Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

#### **New and amended standards and interpretations**

The Company has adopted the following new and amended IFRSs and IFRIC interpretations which became effective during the year:

IFRS 2	Group Cash-settled Share-based Payment Arrangements
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

#### **Improvements to various standards issued by IASB**

*Issued in 2009*

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash flows Presentation of Financial Statements
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments : Recognition and Measurement
<i>Issued in May 2010</i>	
IFRS 3	Business Combinations
IAS 27	Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### 3.4. Property, plant and equipment

#### 3.4.1. Operating fixed assets

##### Owned

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

Depreciation is calculated at the rates specified in note 4.1 to these financial statements on straight line method except for 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 up to 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.

#### 3.4.2. Capital work-in-progress

These are stated at cost less impairment loss, if any. It consists of expenditures incurred and advances paid in respect of fixed assets in the course of their construction and installation.

### 3.5. Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method reflecting the pattern in which economic benefits of the asset are consumed by the Company.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 3.6. Stores, spare parts and loose tools

These are valued at lower of weighted average cost and net realizable value. Cost comprises invoice value and other direct costs. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make a 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 weighted average cost comprising of purchase price, transportation and other overheads.
- ii) Work in process and finished goods - at weighted 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 recognized 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, current, profit and loss sharing (PLS) and deposit accounts with commercial banks net of running finance.

### 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 profits / losses 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 3.12. Employees' benefits

#### Defined contribution plan

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

#### Defined benefit plan - contractual workers

The Company operates unfunded gratuity scheme for its contractual workers. Gains and losses are recognized over the expected average remaining working live of the employee.

#### 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 recognized 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 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, or minimum taxation at the rate of one percent of the turnover, whichever is higher and tax paid on final tax regime. 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 recognized for all taxable temporary differences and deferred tax asset is recognized 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 which these can be utilized. 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 realized 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 3.16. Foreign currency translations

Transactions in foreign currencies are translated into Pakistani Rupee at the rates of exchange approximating those ruling on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupee at the rates of exchange ruling 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 recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognized 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 and loss account for the year to which it arises.

### 3.18. 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 recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off set.

### 3.19. Revenue recognition

- Revenue from sale is recognized 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 recognized on time proportion basis using effective interest method.
- Scrap sales are recognized on physical delivery to customer.
- Other revenues are accounted for on accrual basis.

### 3.20. Borrowing costs

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 3.21. 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 recognized as expense in the profit and loss account.

### 3.22. Dividend and appropriation to reserves

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 3.23. Significant accounting judgments, estimates and assumptions

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, judgments and assumptions 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 recognized 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 judgments, estimates and assumptions 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 3.4);
- (c) accounting for post employment benefits (note 3.12);
- (d) impairment of inventories / adjustment of inventories to their net realizable value (note 3.7);
- (e) provision for doubtful debts / other receivables (note 3.8); and
- (f) contingencies (note 27.1).

	Note	2011 ----- (Rupees in '000') -----	2010
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	<b>8,597,289</b>	8,933,987
Capital work-in-progress	4.2	<b>15,685</b>	3,917
		<b><u>8,612,974</u></b>	<u>8,937,904</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

**4.1. Operating fixed assets**

2011	Note	COST / REVALUATION		Rate %	ACCUMULATED DEPRECIATION			WRITTEN
		As at July 01, 2010	As at July 01, 2010 Additions/ Disposals/ transfers (Rupees in '000')		As at July 01, 2010	Disposals/ transfers For the year (Rupees in '000')	As at June 30, 2011	DOWN VALUE As at June 30, 2011
<b>Owned</b>								
Freehold land	4.1.1	60,736	-	-	-	-	-	60,736
Factory building on freehold land	4.1.1	1,700,284	-	5	668,996	84,667	753,663	946,621
Freehold office building		15,164	-	10	14,356	98	14,454	710
Roads and quarry development		56,008	-	20	47,608	8,400	56,008	-
Plant and machinery line I	4.1.1	5,125,455	1,009 *4,388	Units of production method	2,171,972	117,630	2,289,602	2,841,250
Plant and machinery line II	4.1.1	3,722,459	27,007 *8,194 **455,413	Units of production method	273,422	111,878	438,628	3,774,445
Coal firing system	4.1.1	371,888	-	Units of production method	127,303	9,999	137,302	234,586
Furniture and fixture		26,457	32 (284)	10	18,856	(198)	19,785	6,420
Office equipment		17,724	581 (669)	10	10,282	(626)	10,649	6,987
Computers and accessories		20,030	1,018 (1,261)	33	18,467	(1,180)	18,201	1,586
Vehicles		32,643	2,091 (5,325) **10,262	20	20,181	(3,582) **7,848	30,107	9,564
		11,148,848	31,738 (7,539) *12,582 **465,675		3,371,443	341,366	3,768,399	7,882,905
<b>Assets subject to finance lease</b>								
Plant and machinery line II	4.1.1	1,248,992	- ** (455,413)	Units of production method	95,335	37,188	79,195	714,384
Vehicles		10,262	- ** (10,262)	20	7,336	** (7,848)	512	-
		1,259,254	- ** (465,675)		102,671	37,700	79,195	714,384
<b>2011</b>		<b>12,408,102</b>	<b>31,738 (473,214) *12,582 **465,675</b>		<b>3,474,114</b>	<b>(5,586) 379,066</b>	<b>3,847,594</b>	<b>8,597,289</b>

\* Transferred from capital work-in-progress;

\*\* Transferred from assets subject to finance lease

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

	Note	COST / REVALUATION			Rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE		
		As at July 01, 2009	Additions/ Transfers (Rupees in '000')	Disposals/ transfers (Rupees in '000')		As at June 30, 2010	As at July 01, 2009	Disposals/ transfers (Rupees in '000')	As at June 30, 2010	As at June 30, 2010	As at June 30, 2010
<b>Owned</b>											
Freehold land	4.1.1	60,736	-	-	-	-	-	-	-	-	60,736
Factory building on freehold land	4.1.1	1,692,709	*7,575	-	5	584,329	-	84,667	668,996	-	1,031,288
Freehold office building		14,830	334	-	10	14,283	-	73	14,356	-	808
Roads and quarry development		56,008	-	-	20	36,406	-	11,202	47,608	-	8,400
Plant and machinery line I	4.1.1	5,082,136	43,319	-	Units of production method	2,029,492	-	142,480	2,171,972	-	2,953,483
Plant and machinery line II	4.1.1	3,649,139	8,423	-	Units of production method	168,144	**4,743	100,535	273,422	-	3,449,037
			*446								
			**64,451								
Coal firing system	4.1.1	371,888	-	-	Units of production method	117,523	-	9,780	127,303	-	244,585
Furniture and fixture		25,768	1,703	(1,014)	10	18,359	(559)	1,056	18,856	-	7,601
Office equipment		13,977	4,115	(368)	10	9,674	(94)	702	10,282	-	7,442
Computers and accessories		19,530	1,032	(532)	33	17,608	(493)	1,352	18,467	-	1,563
Vehicles		28,224	7,182	(2,763)	20	18,631	(2,587)	4,137	20,181	-	12,462
		11,014,945	66,554	(4,677)		3,014,449	(3,733)	355,984	3,371,443	-	7,777,405
			*7,575				**4,743				
			**64,451								
<b>Assets subject to finance lease</b>											
Plant and machinery line II	4.1.1	1,313,443	-	** (64,451)	Units of production method	66,321	** (4,743)	33,757	95,335	-	1,153,657
Vehicles		12,731	-	(2,470)	20	6,420	(1,186)	2,102	7,336	-	2,925
		1,326,174	-	(66,921)		72,741	(1,186)	35,859	102,671	-	1,156,582
							** (4,743)				
<b>2010</b>		<b>12,341,119</b>	<b>66,554</b>	<b>(71,598)</b>		<b>3,087,190</b>	<b>(4,919)</b>	<b>391,843</b>	<b>3,474,114</b>	-	<b>8,933,987</b>
			*7,575								
			**64,451								

\* Transferred from capital wo-in-progress

\*\* Transferred from assets subject to finance lease

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 4.1.1.** Plant and Machinery and Coal firing system of the Company were first revalued in the financial year ended June 30, 2005 by M/s Sipra and Company 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 in the financial year ended 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, 2011		June 30, 2010
	Cost	Net book value	Net book value
	----- (Rupees in '000') -----		
Freehold land	31,411	31,411	31,411
Factory buildings	1,328,034	630,208	696,262
Plant and Machinery-line-I	4,110,430	2,023,082	2,111,933
Plant and Machinery-line-II including leased items	3,233,848	2,861,112	2,922,193
Coal firing system	357,802	223,828	233,449
	<b>9,061,525</b>	<b>5,769,641</b>	<b>5,995,248</b>

Note	2011	2010
	----- (Rupees in '000') -----	

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

Cost of sales	29	<b>365,976</b>	376,054
Raw material consumed	29.1.1	<b>8,401</b>	11,202
Distribution costs	30	<b>2,422</b>	2,385
Administrative expenses	31	<b>2,267</b>	2,202
		<b>379,066</b>	<b>391,843</b>

- 4.1.4.** The cost of operating fixed assets includes fully depreciated items of Rs.63.826 million (2010: Rs.64.664 million).

- 4.1.5.** The following operating 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') -----							
Honda Civic VTI	1,854	463	1,391	1,450	59	Insurance claim	PICIC Insurance, Karachi
Motor Cycle-CD 70	65	-	65	60	(5)	Insurance claim	PICIC Insurance, Karachi
Suzuki Cultus 2007	662	463	199	670	471	Negotiation	Friends Automobile Show Room 02, Karachi
Suzuki Mehran	334	273	61	300	239	Company Policy	Mr. Tariq Khan, employee
Aggregate amount of assets disposed off having book value less than Rs. 50,000/- each	4,624	4,387	237	1,762	1,525	Negotiation & Company Policy	Various
<b>2011</b>	<b>7,539</b>	<b>5,586</b>	<b>1,953</b>	<b>4,242</b>	<b>2,289</b>		
2010	7,147	4,919	2,228	3,838	1,610		



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

**4.2. Capital work-in-progress**

	Opening balance	Additions	Transferred to operating fixed assets/ adjustments*	Closing Balance
	----- (Rupees in '000') -----			
Plant and machinery	3,917	25,074	12,582 *724	15,685
	<b>3,917</b>	<b>25,074</b>	<b>13,306</b>	<b>15,685</b>

**5. INTANGIBLE ASSETS**

	COST			Rate of Amort- isation %	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	At July 01, 2010	Addition (Rupees in '000')	As at June 30, 2011		At July 01, 2010	Charge for the year (Rupees in '000')	As at June 30, 2011	As at June 30, 2011
Computer softwares	-	1,098	1,098	20	-	109	109	989
	-	<b>1,098</b>	<b>1,098</b>		-	<b>109</b>	<b>109</b>	<b>989</b>

**6. LONG-TERM LOANS – secured, considered good**

	Note	2011 ----- (Rupees in '000') -----	2010
House building loan to:			
- Executive	6.1 & 6.2	<b>4,995</b>	4,995
- Employees		<b>287</b>	586
		<b>5,282</b>	5,581
Motorcycle loan to employees		-	57
		<b>5,282</b>	5,638
Less: Current portion of long-term loans	11	<b>5,081</b>	5,156
		<b>201</b>	482

**6.1.** House building loans are secured against retirement benefits of respective executive and are repayable in 96 monthly installments. These loans carry interest @ 5 percent (2010: 5 percent) per annum. Maximum aggregate amount due from executives at the end of any month during the year was Rs.5.571 million (2010: Rs.7.571 million).

**6.2. A reconciliation of the house building loans to executives is as follows:**

	2011 ----- (Rupees in '000') -----	2010
Opening balance	<b>4,995</b>	7,926
Repayments	-	(2,931)
Closing balance	<b>4,995</b>	4,995



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

		2011	2010
		----- (Rupees in '000') -----	
<b>7. LONG-TERM DEPOSITS – considered good</b>	<b>Note</b>		
Security deposits:			
- Utilities		35,741	35,913
- Leasing companies		20,925	40,940
- Others		2,339	1,241
	7.1	<u>59,005</u>	<u>78,094</u>
Less: Current portion of security deposits to leasing companies		10,000	25,014
		<u><u>49,005</u></u>	<u><u>53,080</u></u>

7.1. These are non-interest bearing and generally for a term of over one year.

		2011	2010
		----- (Rupees in '000') -----	
<b>8. STORES, SPARE PARTS AND LOOSE TOOLS</b>	<b>Note</b>		
Stores		120,399	116,297
Spare parts		324,895	359,113
Loose tools		6,324	6,844
		<u>451,618</u>	<u>482,254</u>
In transit:			
- spare parts		33,479	4,156
- coal		187,392	446,551
		<u>220,871</u>	<u>450,707</u>
		<u><u>672,489</u></u>	<u><u>932,961</u></u>
<b>9. STOCK-IN-TRADE</b>			
Raw material	29.1	6,851	18,700
Packing material		30,740	9,864
Work in process	29	76,138	86,901
Finished goods	29	47,197	16,607
		<u>160,926</u>	<u>132,072</u>
<b>10. TRADE DEBTS - Unsecured</b>			
Considered good	10.1	<u>21,475</u>	<u>36,851</u>

10.1. As at June 30, 2011, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					More than 2 years
			< 30 days	30 – 90 days	90 – 180 days	180 – 365 days	1 to 2 years	
----- (Rupees in '000') -----								
2011	21,475	-	7,575	480	119	353	12,948	-
2010	36,851	-	954	347	14,511	113	16,672	4,254



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

		2011	2010
	Note	----- (Rupees in '000') -----	
<b>11. LOANS, ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
<b>Loans – secured, considered good</b>			
Current portion of long-term loans	6	5,081	5,156
<b>Advances – unsecured, considered good</b>			
Executives		100	168
Employees		1,126	1,263
Bank margin against letter of guarantee		5,242	5,242
Bank margin against letters of credit		22,691	35,105
Suppliers		12,713	6,431
Contractors		8,959	177
Service providers		8,788	-
	11.1	59,619	48,386
<b>Trade deposits</b>	11.1	13	210
<b>Short-term prepayments</b>	11.1	330	150
		65,043	53,902

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

		2011	2010
	Note	----- (Rupees in '000') -----	
<b>12. OTHER RECEIVABLES – considered good</b>			
Receivable from WAPDA	12.1	19,381	19,381
Inland freight subsidy on exports	12.2	3,314	-
Rebate on export sales		5,812	-
Insurance claim		890	-
Others		40	1,464
		29,437	20,845

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

12.2. This represents the amount receivable from the Government on account of inland freight subsidy on exports claimed by the Company pursuant to the inland freight subsidy scheme announced by the Trade Development Authority of Pakistan through public notice advertised on March 26, 2010 covering period from the date of advertisement to June 30, 2010.

		2011	2010
		----- (Rupees in '000') -----	
<b>13. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		2,211	2,118
<b>Cheques in hand</b>		89,375	24,753
		91,586	26,871
<b>With banks in:</b>			
<b>Current accounts</b>			
- Local currency		14,909	23,559
- Foreign currency		-	13
		14,909	23,572
<b>Deposit accounts</b>			
- Local currency		43,677	5,429
		150,172	55,872

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 14. AUTHORIZED SHARE CAPITAL

2011 (No. of shares in '000')	2010 (No. of shares in '000')		2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
300,000	300,000	Ordinary shares of Rs.10/- each	3,000,000	3,000,000
50,000	50,000	Preference shares of Rs.10/- each	500,000	500,000
<u>350,000</u>	<u>350,000</u>		<u>3,500,000</u>	<u>3,500,000</u>

### 15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 (No. of shares in '000')	2010 (No. of shares in '000')		2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
184,464	184,464	<b>Issued for cash ordinary shares of Rs.10/- each</b>	1,844,642	1,844,642
		<b>Issued for consideration other than cash:</b>		
23,223	23,223	Ordinary shares of Rs.10/- each (note 15.2)	232,228	232,228
4,394	-	Ordinary shares of Rs.10/- each (note 15.3)	43,937	-
27,617	23,223		276,165	232,228
15,068	15,068	<b>Issued as fully paid bonus shares</b>	150,682	150,682
Ordinary shares of Rs.10/- each			2,271,489	2,227,552
<u>227,149</u>	<u>222,755</u>			

15.1. Vision Holding Middle East Limited (VHMEL) held 49.085 million (2010: 49.085 million) ordinary shares of Rs.10/- each as of the balance sheet date which is 21.6 percent of issued share capital (2010: 22.1 percent of issued share capital). VHMEL, a company incorporated in British Virgin Islands, has also exercised call option under a call-and-put option agreement with certain shareholders of the Company for acquiring a further 57.774 million shares of the total issued and paid up share capital of the Company. The shares under call option have not been transferred to VHMEL till the balance sheet date.

15.2. During the year ended June 30, 2010, the Company issued 23,222,813 ordinary shares to National Bank of Pakistan (NBP) with a face value of Rs.10/- each under restructuring arrangement against outstanding loan liabilities at the rate of Rs.15/- per share. The arrangement was approved by shareholders in their general meeting held on October 31, 2009. The premium of Rs.5/- per share has been shown under capital reserve account in the statement of changes in equity.

15.3. During the year, the Company has issued 3,006,187 ordinary shares and 1,387,503 ordinary shares having face value of Rs.10/- each under restructuring arrangement against outstanding loan liabilities at the rate of Rs.15/- per share to National Bank of Pakistan (NBP) and Bank of Punjab (BOP) respectively. The arrangement was approved by the shareholders in their general meeting held on October 25, 2010. The premium of Rs.5/- per share has been shown under capital reserve account in the statement of changes in equity.

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>16. SURPLUS ON REVALUATION OF FIXED ASSETS – net of tax</b>			
<b>Gross surplus</b>			
Opening balance of surplus on revaluation of fixed assets		2,897,553	2,990,260
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(95,157)	(92,707)
		<u>2,802,396</u>	<u>2,897,553</u>
<b>Less: Deferred tax liability on :</b>			
Opening balance of revaluation		776,924	809,371
Incremental depreciation charged on related assets		(33,305)	(32,447)
	20.4	<u>743,619</u>	<u>776,924</u>
Closing balance of surplus on revaluation of fixed assets		<u>2,058,777</u>	<u>2,120,629</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 16.1.** Includes surplus on revaluation of freehold land amounting to Rs.29.325 million (2010: Rs.29.325 million).

### 17. LONG-TERM LOANS – secured

	Note	Installments			2011	2010
		Number	Commencing from	Rate of interest / markup	---- (Rupees in '000) ----	----
<b>Foreign Currency Loans</b>						
<u>From banking companies and other financial institutions:</u>						
Asian Development Bank (ADB) - Japanese Yen	17.1 & 17.10	9 half yearly	November 15, 2006	1.3% above 6 months LIBOR	<b>916,701</b>	827,850
Asian Finance & Investment Corporation Limited (AFIC) – US Dollar	17.2 & 17.10	23 quarterly	March 31, 2007	2.5% above 3 months LIBOR	<b>279,473</b>	278,013
					<b>1,196,174</b>	1,105,863
<b>Local Currency Loans</b>						
<u>From banking companies and other financial institutions:</u>						
Bankers Equity Limited - Locally Manufactured Machinery (LMM)	18.1	11 quarterly	November 01, 2010	-	<b>76,364</b>	105,000
National Bank of Pakistan (NBP)	17.3 & 17.11	30 quarterly	March 31, 2006	2% above 3 months KIBOR	<b>222,601</b>	222,601
National Bank of Pakistan (Former NDFC)	17.4 & 17.11	30 quarterly	March 31, 2006	2% above 3 months KIBOR	<b>227,744</b>	227,744
Industrial Development Bank of Pakistan (IDBP)	17.5 & 17.6	25 quarterly	December 31, 2006	8.62% per annum	<b>18,461</b>	42,187
National Bank of Pakistan (NBP)	17.7 & 17.11	8 half yearly	December 2008	2.5% above 6 months KIBOR	<b>312,500</b>	312,500
The Bank of Punjab	17.8 & 17.9	57 monthly	July 2010	0.5% - 1.5% above 3 months KIBOR	<b>239,250</b>	250,000
					<b>1,096,920</b>	1,160,032
					<b>2,293,094</b>	2,265,895
					<b>1,924,175</b>	1,799,664
					<b>368,919</b>	466,231
Less: Current portion	26					

- 17.1.** 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. 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 up to 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 20).

Installments including liquidated damages and other charges have not been paid aggregating to Rs.1,217.054 million, which includes principal, markup and deferred charges amounting to Rs.916.701 million, Rs.100.350 million and Rs.200.003 million respectively. The Company is pursuing for restructuring of loan.

- 17.2.** 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.

Installments including liquidated damages and other charges have not been paid aggregating to Rs.216.477 million, which includes principal and markup amounting to Rs.192.943 million and Rs.23.534 million respectively. The Company is pursuing for restructuring of loan.

- 17.3.** The loan is secured by an agreement of hypothecation, floating charge and personal guarantees of the sponsoring directors of the Company.
- 17.4.** 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 June 30, 2013.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 17.5. As a result of restructuring of loan liability with IDBP the frozen mark up to June 30, 2001 was deferred and is to be paid in quarterly installments commenced from June 30, 2009. Further, 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.

Installments of frozen markup have not been paid aggregating to Rs.33.684 million as management has requested the Bank to service the frozen markup payments after full repayment of principal amount.

- 17.6. 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 favor 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.

- 17.7. This loan is secured by ranking charge of marked up amount plus 25 percent margin.

- 17.8. This loan is secured against first pari passu charge on all present and future current and fixed assets of the Company registered with Securities and Exchange Commission of Pakistan (SECP) for Rs.666.666 million 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.

- 17.9. During the year, pursuant to the restructuring agreement dated November 01, 2010 between the Company and BOP, the Company issued 1.388 million ordinary shares of Rs.10/- per share at Rs.15/- to BOP in respect of portion of outstanding loan of Rs.20.813 million as at June 30, 2010. The remaining outstanding loan of Rs.250 million is to be paid by the Company in fifty-seven unequal monthly installments, which commenced from July 31, 2010 and will terminate on March 31, 2015. The terms and conditions of finance agreements, letter of hypothecation, demand promissory note and other documents remain unchanged for the restructured agreement. The rate of markup ranges between 1 month Kibor plus 0.5 percent to 1.5 percent per annum. In the event of default in payment of principal amount, markup or commission on the due dates, the bank shall charge liquidated damages @ 2% per annum on the principal amount during the delayed period.

- 17.10. The Company is in negotiation with the Bank for restructuring of the loans and the lender has been provided with various options for restructuring. All these options are under discussion. The Company is hopeful about a positive outcome in near future; the same will improve the current ratio of the Company.

- 17.11. The restructuring agreement with the NBP has been finalized during the year and the Company has complied with the terms of the restructuring agreement except issuance of preference shares to NBP amounting to Rs.757 million as the same was not approved by the shareholders in their meeting held on March 31, 2011. The Company is under negotiation with NBP on possible options including issue of preference shares.

	Note	2011 ----- (Rupees in '000') -----	2010
<b>18. LONG-TERM FINANCING – secured</b>			
Bankers Equity Limited - under liquidation (BEL)			
Term Finance Certificates (TFCs)	18.1	<b>71,296</b>	97,518
Less: Current portion of Bankers Equity Limited - under liquidation (BEL)			
Term Finance Certificates (TFCs)	26	<u><b>35,648</b></u>	<u>97,518</u>
		<u><b>35,648</b></u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

**18.1.** These are secured by creation of an equitable mortgage and first floating charges on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favor of other lenders. During the year, the Company and BEL agreed on an amicable solution through out of court settlement and rescheduled the outstanding liability. According to the rescheduled agreement, there will be no further markup accumulation. The liability including markup is to be paid in 11 equal quarterly installments of Rs.26.57 million each commencing from November 1, 2010 to May 1, 2013. These installments will cover the principal and 50% markup amount. Upon successful repayment of the aforementioned installments, the remaining 50% markup will be relinquished. The Company will pay a delayed period markup @ 12% in case any installment is delayed and paid after due date. The Honorable High Court of Sindh vide its order dated February 4, 2011 has approved the aforesaid arrangement for rescheduling / restructuring of outstanding liabilities.

### 19. 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.173.398 million (2010: Rs.295.121 million) and are payable in equal monthly / quarterly / semi-annual installments latest by December 2014. Overdue rental payments are subject to an additional charge up to 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 ranging between 15.02 percent to 17.62 percent (2010: 14.50 percent to 19.70 percent) per annum have been used as discounting factor. The finance lease liability is as follows:

	2011		2010	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	----- (Rupees in '000') -----			
	Note			
Up to one year	70,807	55,276	159,922	134,711
One year to five years	102,591	87,505	135,199	120,797
	<b>173,398</b>	<b>142,781</b>	295,121	255,508
Less: Finance charges allocated to future periods	30,617	-	39,613	-
	<b>142,781</b>	<b>142,781</b>	255,508	255,508
Less: Current portion	55,276	55,276	134,711	134,711
	<b>87,505</b>	<b>87,505</b>	120,797	120,797

### 20. DEFERRED LIABILITIES

		2011	2010
		----- (Rupees in '000') -----	
		Note	
Deferred interest / mark up			
Bankers Equity Limited – TFCs	18.1	104,622	103,076
Asian Development Bank	17.1	200,003	180,618
Bankers Equity Limited – LMM	18.1	42,443	30,401
National Bank of Pakistan (Former NDFC)	20.1, 17.4 & 17.11	346,526	346,526
Industrial Development Bank of Pakistan	17.5 & 17.6	47,906	44,906
		<b>741,500</b>	705,527
Less: Current portion	26	542,762	538,045
	20.2	198,738	167,482
Gratuity – vested contractual workers	20.3	41,431	33,247
Deferred tax liability	20.4	183,734	287,035
		<b>423,903</b>	487,764

**20.1.** It carries service fee at the rate of 2 percent (2010: 2 percent) per annum on the outstanding mark up as at June 30, 2003, payable in semi-annual installments till June 30, 2013.

**20.2.** The deferred interests / markups have not been discounted to their present value as the financial impact thereof is not considered material by the management.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in '000') -----	
<b>20.3. Defined benefit plan</b>		
<b>20.3.1. The amount recognized in the balance sheet is as follows:</b>		
Present value of defined benefit obligation	47,024	39,166
Unrecognized actuarial loss	<u>(5,593)</u>	<u>(5,919)</u>
Liability recognized in the balance sheet	<u><u>41,431</u></u>	<u><u>33,247</u></u>
<b>20.3.2. The amount recognized in the profit and loss account is as follows:</b>		
Current service cost	5,339	4,761
Interest cost	<u>5,339</u>	<u>4,761</u>
	<u><u>10,678</u></u>	<u><u>9,522</u></u>
<b>20.3.3. Movement in the present value of defined benefit obligation:</b>		
Balance as at July 01	33,247	25,155
Current service cost	5,339	4,761
Interest cost	5,339	4,761
Benefits paid during the year	<u>(2,494)</u>	<u>(1,430)</u>
Balance as at June 30	<u><u>41,431</u></u>	<u><u>33,247</u></u>
<b>20.3.4. Principal actuarial assumptions used are as follows:</b>	2011	2010
Expected rate of increase in salary level	10%	8%
Valuation discount rate	14%	13%
	2011	2010
	----- (Rupees in '000') -----	
<b>20.4. Deferred tax liability</b>		
<b>Credit balance arising due to:</b>		
- accelerated tax depreciation		1,028,094
- surplus on revaluation of fixed assets	16	<u>776,924</u>
		<u><u>1,805,018</u></u>
<b>Debit balance arising due to:</b>		
- available tax losses		<u>(1,504,550)</u>
- compensated absences		<u>(13,433)</u>
		<u><u>(1,517,983)</u></u>
		<u><u>183,734</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

		2011	2010
	Note	----- (Rupees in '000') -----	
<b>21. LONG-TERM DEPOSITS</b>			
From employees	21.1	277	277
From suppliers and distributors		<u>1,486</u>	<u>891</u>
		<u>1,763</u>	<u>1,168</u>

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

## 22. LONG-TERM CREDITOR – unsecured

Contractor	22.1	2,348	8,731
Less: Current portion of long-term creditor	23.1	<u>2,348</u>	<u>6,383</u>
		<u>-</u>	<u>2,348</u>

22.1. 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.

## 23. TRADE AND OTHER PAYABLES

Creditors	23.1	195,509	381,054
Accrued expenses		91,520	104,212
Advances from customers		277,082	284,286
Retention money		7,784	8,315
Payable to provident fund		858	-
Deposits		14,509	12,999
Excise duty payable on cement		73,428	84,240
Royalty and excise duty on minerals		2,361	8,441
Withholding tax		2,298	716
Employees compensated absences		15,817	16,596
Workers' Profit Participation Fund		3,857	-
Workers' Welfare Fund		1,466	-
Unclaimed dividend		<u>3,072</u>	<u>3,077</u>
		<u>689,561</u>	<u>903,936</u>

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 22).

## 24. SHORT-TERM MURABAHA - secured

The Murabaha finance facility was taken from Meezan Bank Limited on April 30, 2010 for the amount of Rs.550 million to finance the import of coal. This facility is valid until maturity of all the sub-murabahas/financings disbursed upto December 31, 2011 under this limit. The profit (markup) rate for this facility is 3 months KIBOR plus 1.25 percent per annum. Under the terms and conditions of the facility 15 percent cash margin held for the duration of LC will be used to retire the LC, while the bank will finance 85 percent of the LC amount at retirement.

		2011	2010
	Note	----- (Rupees in '000') -----	
<b>25. SHORT-TERM BORROWINGS - secured</b>			
National Bank of Pakistan – FE 25		-	201,851
National Bank of Pakistan – Cash finance account	25.1	374,464	298,499
United Bank Limited – Running finance account	25.2	<u>186,097</u>	<u>170,502</u>
		<u>560,561</u>	<u>670,852</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 25.1.** Represents cash finance facility is obtained from National Bank of Pakistan. The facility limit is Rs.500 million (2010: 500 million) and it carries markup ranging between the rate of 3 month KIBOR plus 0.5 to 1.5 percent (2010: 0.5 to 1.5 percent) per annum. The facility is secured against first joint pari passu charge over current and fixed assets of the Company at the margin of 25 percent and personal guarantees of sponsoring directors. The facility expires on December 31, 2011.
- 25.2.** Represents short-term cash finance facility limit up to Rs.200 million (2010: Rs.200 million) obtained from United Bank Limited. The facility carries markup at the rate of 1 month KIBOR plus 0.75 percent (2010: 1 month KIBOR plus 0.75 percent) per annum which shall be determined on daily product basis payable to the bank at the end of each quarter. The facility is secured against a ranking charge over future stocks and book debts of the Company with a margin of 33.33%. The facility expires on December 31, 2011.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>26. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long-term loans	17	<b>1,924,175</b>	1,799,664
Long-term financing	18	<b>35,648</b>	97,518
Liabilities against assets subject to finance lease	19	<b>55,276</b>	134,711
Deferred liabilities	20	<b>542,762</b>	538,045
		<b>2,557,861</b>	2,569,938

## 27. CONTINGENCIES AND COMMITMENTS

### 27.1. Contingencies

- 27.1.1.** 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 that 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 "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 Honorable 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 of Pakistan 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 had 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). During the year ended June 30, 2010, the aforesaid refund claim has been rejected by the Department, however, the Company has filed an appeal before Commissioner (Appeals) Inland Revenue, Lahore which is pending. Hence, presently the same has not been accounted for in the books of account of the Company.

- 27.1.2.** The Federal 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 Federal Board of Revenue. The Company filed a petition against the above decision in the Honorable High Court of Sindh which was allowed. The Federal Board of Revenue filed a civil petition against the said decision in the Honorable 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 27.1.3.** 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 Honorable Lahore High Court by the Honorable Supreme Court of Pakistan, while the case for Rs.4.518 million is pending in the Honorable 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 demands in these financial statements.
- 27.1.4.** 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.
- 27.1.5.** 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 the Honorable Lahore High Court. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.
- 27.1.6.** 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.
- 27.1.7.** The Company has challenged in the Honorable Lahore High Court, the applicability of the marking fee on the production of the cement at the rate of 0.15 percent 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 Articles 4, 18, 25 and 77 of the Constitution of Pakistan, 1973. However, the Company on prudence grounds provided for the above fee in these financial statements. The management anticipates a favorable outcome of this petition.
- 27.1.8.** The Company has challenged in the Honorable Lahore High Court regarding the application of advance tax payable of Rs.4.9 million under section 235 of the Income Tax Ordinance, 2001 (the Ordinance), particularly as amended by Finance Act 2008. As per the legal advisor of the Company the provision of section 235 of the Ordinance has been challenged as the same are confiscatory, hence ultra vires to the Constitution. The Honorable High Court through an order dated June 18, 2009 instructed the respondent not to insist upon the payment of Rs.4.9 million of the income tax along with the electricity bill of the Company till the next date of hearing. On December 22, 2009 the Honorable High Court has decided the case against the Company, however, the Company has filed another writ petition no. 515/2010 against the recovery of aforesaid advance income tax. The Honorable Lahore High Court then passed an order that the tax demand through electricity bill up to June 2009 is unlawful, but tax may be collected from the Company for the current tax year amounting to Rs.34.07 million. The Company again filed writ petition no. 5707/2010 on March 26, 2010 for exemption regarding collection of tax for the period from July 2009 to December 2009, pleading that the Company has already paid the advance tax for the same period and there being no other tax liability towards the Company, the collection of excess advance tax from the Department should not be made. The Court ordered the Federal Board of Revenue to file a detailed response on the application of the Company. The management is confident that the decision of the Court would be in favor of the Company.
- 27.1.9.** 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 percent of the turnover as reported in the last published financial statements as of June 30, 2009. 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The penalized cement companies jointly filed a petition in the Honorable High Court challenging the imposition of penalties by the CCP and any adverse action against the cement companies has been stayed by the Honorable High Court.

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

**27.1.10.** During the year, a Shareholder / Director of the Company, Mr. Cevdet Dal has filed suit against the Company and certain shareholders in the Honorable High Court of Sindh, praying for investigation of price fixation and review of share purchase agreement executed between VHMEI and sponsor shareholders. The Company has filed response in the Honorable High Court of Sindh that it has no role in the share purchase agreement apart from transfer of shares to the buyer upon completion of legal formalities. The legal advisor of the Company is of the view that the aforesaid suit would have no financial exposure to the Company.

### 27.2. Commitments

**27.2.1.** Commitments in respect of outstanding letters of credit amount to Rs.53,857 million (2010: Rs.221,227 million) and in respect of bank guarantee issued in favor of Faisalabad Electric Supply Corporation amounting to Rs.26,702 million (2010: Rs.26,702 million).

	Note	2011 ----- (Rupees in '000') -----	2010
<b>28. GROSS TURNOVER</b>			
Local		<b>5,974,308</b>	4,649,275
Export		<b>967,314</b>	679,948
		<b>6,941,622</b>	5,329,223
<b>29. COST OF SALES</b>			
Raw material consumed	29.1	<b>286,960</b>	263,372
Packing material consumed		<b>449,538</b>	389,453
Fuel and power		<b>3,026,575</b>	2,439,570
Stores and spare parts consumed		<b>141,171</b>	163,565
Salaries, wages and benefits	29.2	<b>200,296</b>	204,443
Travelling and conveyance		<b>25,558</b>	26,114
Insurance		<b>8,592</b>	10,120
Repairs and maintenance		<b>32,807</b>	42,318
Communication		<b>640</b>	1,815
Depreciation	4.1.3	<b>365,976</b>	376,054
Other manufacturing expenses		<b>12,876</b>	10,908
		<b>4,264,029</b>	3,664,360
<b>Total cost</b>		<b>4,550,989</b>	3,927,732
<b>Work in process</b>			
Opening balance		<b>86,901</b>	94,847
Closing balance	9	<b>(76,138)</b>	(86,901)
		<b>10,763</b>	7,946
<b>Cost of goods manufactured</b>		<b>4,561,752</b>	3,935,678
<b>Finished goods</b>			
Opening balance		<b>16,607</b>	34,743
Closing balance	9	<b>(47,197)</b>	(16,607)
		<b>(30,590)</b>	18,136
		<b>4,531,162</b>	3,953,814



**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2011 ----- (Rupees in '000') -----	2010
<b>29.1. Raw material consumed</b>			
Opening balance		18,700	6,888
Quarrying / transportation / purchases and other overheads	29.1.1	<u>284,519</u>	<u>278,243</u>
		303,219	285,131
Closing balance	9	<u>(6,851)</u>	<u>(18,700)</u>
		296,368	266,431
Duty drawback on exports		<u>(9,408)</u>	<u>(3,059)</u>
		<u>286,960</u>	<u>263,372</u>

**29.1.1.** Includes depreciation amounting to Rs.8.401 million (2010: Rs.11.202 million) [note 4.1.3].

**29.2. Includes employees' benefits as follows:**

Defined contribution plan	2,923	2,942
Defined benefit plan	10,678	9,522
Compensated absences	<u>5,059</u>	<u>3,443</u>
	<u>18,660</u>	<u>15,907</u>

**30. DISTRIBUTION COSTS**

Salaries, wages and benefits	30.1	24,701	22,730
Travelling and conveyance		388	378
Vehicle running expenses		2,427	2,101
Communication		1,179	1,513
Printing and stationery		565	586
Rent, rates and taxes		1,478	1,803
Utilities		1,009	1,272
Repairs and maintenance		1,275	792
Legal and professional charges		6,926	5,921
Insurance		296	490
Fee and subscription		407	433
Advertisements / sales promotion		3,071	1,727
Freight and handling charges	30.2	103,946	116,138
Entertainment		486	573
Depreciation	4.1.3	<u>2,422</u>	<u>2,385</u>
		<u>150,576</u>	<u>158,842</u>

**30.1. Includes employees' benefits as follows:**

Defined contribution plan	949	833
Compensated absences	<u>579</u>	<u>1,145</u>
	<u>1,528</u>	<u>1,978</u>

**30.2.** Represents freight and handling charges against export sales.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

		2011	2010
	Note	----- (Rupees in '000') -----	
<b>31. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	31.1	<b>32,709</b>	52,048
Travelling and conveyance		<b>1,022</b>	1,807
Vehicle running expenses		<b>3,087</b>	3,551
Communication		<b>985</b>	1,696
Printing and stationery		<b>838</b>	1,352
Rent, rates and taxes		<b>246</b>	959
Utilities		<b>1,538</b>	3,574
Repairs and maintenance		<b>1,217</b>	1,737
Legal and professional charges		<b>4,216</b>	3,081
Insurance		<b>309</b>	428
Auditors' remuneration	31.2	<b>1,785</b>	2,695
Fee and subscription		<b>1,664</b>	3,081
Depreciation	4.1.3	<b>2,267</b>	2,202
Amortization	5	<b>109</b>	-
Entertainment		<b>301</b>	539
Others		<b>28</b>	85
		<b>52,321</b>	78,835
<b>31.1. Includes employees' benefits as follows:</b>			
Defined contribution plan		<b>1,371</b>	1,580
Compensated absences		<b>376</b>	1,618
		<b>1,747</b>	3,198
<b>31.2. Auditors' remuneration</b>			
Annual audit fee		<b>1,000</b>	1,000
Fee for half yearly review		<b>400</b>	400
Special certifications and other advisory services		<b>198</b>	1,100
Out of pocket expenses		<b>187</b>	195
		<b>1,785</b>	2,695
<b>32. OTHER OPERATING INCOME</b>			
Profit on bank deposits		<b>1,863</b>	2,416
Scrap sales		<b>2,878</b>	5,367
Gain on disposal of operating fixed assets	4.1.5	<b>2,289</b>	1,610
Others		<b>13,167</b>	10,892
		<b>20,197</b>	20,285
<b>33. OTHER OPERATING EXPENSES</b>			
Donations		-	57
Workers' Profit Participation Fund		<b>3,857</b>	-
Workers' Welfare Fund		<b>1,466</b>	-
Bad debts written off		<b>10,492</b>	733
Others		<b>317</b>	-
		<b>16,132</b>	790



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
Note	----- (Rupees in '000') -----	----- (Rupees in '000') -----
<b>34. FINANCE COSTS</b>		
<b>Mark-up on:</b>		
Long-term financing	9,372	6,657
Long-term loans - local currency	145,274	200,728
Lease financing	<u>25,018</u>	<u>48,741</u>
	<b>179,664</b>	256,126
<b>Profit on Murabaha financing</b>	<b>22,725</b>	14,464
<b>Interest on:</b>		
Long-term loans – foreign currency	<u>51,447</u>	41,697
Workers' Profit Participation Fund	-	1,055
Short-term borrowings	<u>91,137</u>	<u>64,052</u>
	<b>142,584</b>	106,804
<b>Fee, charges and commission</b>		
Service charges	<u>6,930</u>	6,931
Bank charges	<u>4,313</u>	3,333
Arrangement fee	<u>1,700</u>	<u>5,000</u>
	<b>12,943</b>	15,264
	<b>357,916</b>	392,658
<b>35. TAXATION</b>		
Current	35.1 <b>(53,984)</b>	(23,073)
Prior year	-	(233)
Deferred	<u>102,810</u>	<u>291,700</u>
	<b>48,826</b>	268,394

**35.1.** The provision for current income tax is based on minimum taxation under Section 113 of the Income Tax Ordinance, 2001. Accordingly, tax charge reconciliation with the accounting profit is not reported.

	2011	2010
	----- (Rupees in '000') -----	----- (Rupees in '000') -----
<b>36. EARNINGS / (LOSS) PER SHARE - Basic and diluted</b>		
There is no dilutive effect on the basic earnings / (loss) per share of the Company, which is based on:		
Earnings / (loss) for the year (Rupees in '000')	<u>120,650</u>	<u>(590,925)</u>
Weighted average number of ordinary shares in issue (in '000')	<u>224,952</u>	<u>206,149</u>
Earnings / (loss) per share – Basic and diluted (Rupee)	<u>0.54</u>	<u>(2.87)</u>

**37. 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 parties reflected elsewhere in these financial statements are as under:

	2011	2010
	----- (Rupees in '000') -----	----- (Rupees in '000') -----
<b>Entities having directors in common with the Company</b>		
First Dawood Investment Bank		
Repayment of lease financing	530	15,735
Finance cost paid	<u>500</u>	<u>25,645</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in '000') -----	
<i>BRR International Modaraba</i>		
Repayment of lease financing	4,370	5,635
Finance cost paid	-	477
	<u>4,370</u>	<u>6,112</u>
<i>Guardian Modaraba</i>		
Repayment of lease financing	1,223	9,715
Finance cost paid	177	1,018
	<u>1,400</u>	<u>10,733</u>
<b>Staff retirement contribution plan</b>		
Contribution to staff provident fund	5,243	5,355
Contribution to staff gratuity fund	-	-
	<u>5,243</u>	<u>5,355</u>

**37.1.** Certain assets are being used by the employees of the Company in accordance with their terms of employment. Further, there is no transaction with key management personnel other than under the terms of employment as disclosed in note 39 to these financial statements.

**37.2.** The related party status of outstanding receivables and payables as at June 30, 2011 are disclosed in respective notes to these financial statements.

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 38.1. 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 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, 2011.

The Company tries to manage 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 and reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2011 and 2010 were as follows:

	Note	2011	2010
		----- (Rupees in '000') -----	
Long-term loans	17	368,919	466,231
Long-term financing	18	35,648	-
Liabilities against assets subject to finance lease	19	87,505	120,797
Deferred liabilities – Deferred interest / markup and gratuity	20	240,169	200,729
Long-term creditor	22	-	2,348
Trade and other payables	23	689,561	903,936
Accrued interest / mark-up		440,492	342,892
Short-term Murabaha	24	124,954	399,109
Short-term borrowings	25	560,561	670,852
Current portion of non-current liabilities	26	2,557,861	2,569,938
Total debt		<u>5,105,670</u>	<u>5,676,832</u>
Less: Cash and bank balances	13	150,172	55,872
<b>Net debt</b>		<u>4,955,498</u>	<u>5,620,960</u>
<b>Total Equity</b>		<u>2,466,625</u>	<u>2,218,218</u>
<b>Total Capital</b>		<u>7,422,123</u>	<u>7,839,178</u>
<b>Gearing ratio</b>		<u>66.77%</u>	<u>71.70%</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 converting loans into equity (see notes 1.3 & 15).

### 38.2. 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, 2011 and 2010.

### 38.3. Liquidity risk

Liquidity risk reflects the Company's inability of raising funds to meet commitments. The Company's management closely monitors the Company's liquidity and cash flow position and foresees that the negative working capital position will become favorable during the next year due to increase in retention price which will result in positive cash flows from operations. Further, the management is also in the process of evaluating other options such as restructuring and rescheduling of financing by converting long term loans into equity (see note 1.3).

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2011 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'-----						
<b>June 30, 2011</b>						
Long-term financing	-	8,912	26,736	35,648	-	<b>71,296</b>
Liabilities against assets subject to finance lease	8,734	11,904	34,638	87,505	-	<b>142,781</b>
Long-term deposits	-	-	-	1,763	-	<b>1,763</b>
Deferred liabilities	426,203	11,073	105,486	150,898	89,271	<b>782,931</b>
Long-term loans	1,520,910	9,545	393,720	368,919	-	<b>2,293,094</b>
Trade and other payables	91,521	489,627	30,326	-	-	<b>611,474</b>
Accrued mark-up	-	440,492	-	-	-	<b>440,492</b>
Short-term borrowings	-	560,561	-	-	-	<b>560,561</b>
Short-term Murabaha	-	-	124,954	-	-	<b>124,954</b>
	<b>2,047,368</b>	<b>1,532,114</b>	<b>715,860</b>	<b>644,733</b>	<b>89,271</b>	<b>5,029,346</b>
<b>June 30, 2010</b>						
Long-term financing	56,327	9,825	31,366	-	-	97,518
Liabilities against assets subject to finance lease	-	70,019	64,692	120,797	-	255,508
Long-term deposits	-	-	-	1,168	-	1,168
Long-term creditor	-	-	-	2,348	-	2,348
Deferred liabilities	419,545	17,869	133,879	167,482	-	738,775
Long-term loans	1,157,374	95,923	546,367	466,231	-	2,265,895
Trade and other payables	104,212	676,732	29,595	-	-	810,539
Accrued mark-up	-	342,892	-	-	-	342,892
Short-term borrowings	-	670,852	-	-	-	670,852
Short-term Murabaha	-	-	399,109	-	-	399,109
	<b>1,737,458</b>	<b>1,884,112</b>	<b>1,205,008</b>	<b>758,026</b>	-	<b>5,584,604</b>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 38.4. 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 these financial statements.

### 38.5. 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.

	<b>Increase / decrease in basis points</b>	<b>Effect on Profit before tax Rupees in '000'</b>
<b>2011</b>		
Pak Rupee	<b>+100</b>	<b>(30,504)</b>
Pak Rupee	<b>-100</b>	<b>30,504</b>
<b>2010</b>		
Pak Rupee	+100	(34,334)
Pak Rupee	-100	34,334

### 38.6. 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, loans and advances, other receivables and bank balances aggregating to Rs.218.122 million (2010: Rs.188.163 million). The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy.

	<b>Note</b>	<b>2011 ----- (Rupees in `000) -----</b>	<b>2010</b>
Long-term deposits	7	<b>49,005</b>	53,080
Trade debts	10	<b>21,475</b>	36,851
Advances	11	<b>59,619</b>	48,386
Other receivables	12	<b>29,437</b>	20,845
Bank balances	13	<b>58,586</b>	29,001

#### **Credit quality of financial assets**

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank (in current and deposit accounts) as per credit rating agencies are as follows:



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in `000) -----	
A1+	38,445	28,871
A1	20,041	30
A2	100	100
	<u>58,586</u>	<u>29,001</u>

**38.7. Foreign exchange risk management**

Foreign currency risk arises mainly where balances exist 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.1,196.174 million (2010: Rs.1,105.863 million) as disclosed in note 17 to these financial statements and interest payable on foreign currency loans amounting to Rs.331.853 million (2010: Rs.257.448 million). 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 Dollar, Japanese Yen 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) at June 30, 2011.

	2011		2010	
	US Dollars '000'	Japanese Yens '000'	US Dollars '000'	Japanese Yens '000'
Foreign currency denominated monetary assets	-	-	-	-
Foreign currency denominated monetary liabilities	<u>3,553</u>	<u>1,142,441</u>	<u>3,429</u>	<u>1,106,712</u>
	<b>Increase / decrease in US Dollars to Pak Rupee</b>	<b>Increase / decrease in Japanese Yen to Pak Rupee</b>	<b>Effect on profit before tax (Rs. in '000')</b>	
2011	+5%	+5%	(76,401)	
	-5%	-5%	<u>76,401</u>	
2010	+5%	+5%	(68,142)	
	-5%	-5%	<u>68,142</u>	

**38.8. Other price risk**

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

**38.9. 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 these financial statements approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executives	
	2011	2010	2011	2010
Total number	1	1	20	20
----- (Rupees in `000) -----				
Basic salary	3,372	3,563	16,661	20,845
Contribution to provident fund trust	337	84	1,327	1,393
Allowances & benefits:				
- House rent	1,518	1,603	7,497	9,380
- Utilities	337	1,797	1,666	1,864
- Other allowances	1,296	1,844	7,762	9,867
	<b>6,860</b>	<b>8,891</b>	<b>34,913</b>	<b>43,349</b>

39.1. 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.

39.2. No remuneration is paid / payable to the directors of the Company.

	Note	2011	2010
----- (Rupees in `000) -----			
<b>40. CASH FLOWS GENERATED FROM / (USED IN) OPERATIONS</b>			
Profit / (loss) before taxation		71,824	(859,319)
<b>Adjustments for non cash and other items:</b>			
Depreciation	4.1 & 4.1.3	379,066	391,843
Amortization	5	109	-
Provision for compensated absences and gratuity		16,691	15,728
Finance costs	34	357,916	392,658
Gain on disposal of operating fixed assets	32 & 4.1.5	(2,289)	(1,610)
Workers' Profits Participation Fund	33	3,857	-
Workers' Welfare Fund	33	1,466	(3,749)
Reversal of provision over and above actual expense		-	(1,617)
Bad debts written off	33	10,492	733
Exchange loss – unrealized		114,895	156,167
		<b>882,203</b>	<b>950,153</b>
<b>Cash flows before working capital changes</b>		<b>954,027</b>	<b>90,834</b>
<b>Movement in working capital</b>			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		260,472	(426,911)
Stock-in-trade		(28,854)	13,994
Trade debts		4,976	(182)
Loans and advances		(10,939)	(28,340)
Deposits and prepayments		17	253
Other receivables		(8,593)	(1,463)
		<b>217,079</b>	<b>(442,649)</b>
(Decrease) / increase in current liabilities:			
Trade and other payables		(222,637)	280,828
Sales tax payable		9,178	(16,783)
		<b>(213,459)</b>	<b>264,045</b>
		<b>3,620</b>	<b>(178,604)</b>
		<b>957,647</b>	<b>(87,770)</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

<b>41. PRODUCTION CAPACITY</b>	<b>2011</b>	<b>2010</b>
	----- Mt. Tons -----	
Rated capacity - clinker		
- Line I (after optimization)	<b>705,000</b>	705,000
- Line II	<b>1,290,000</b>	1,290,000
	<b><u>1,995,000</u></b>	<u>1,995,000</u>
Actual production – clinker		
- Line I	<b>419,679</b>	469,240
- Line II	<b>769,619</b>	693,990
	<b><u>1,189,298</u></b>	<u>1,163,230</u>
The Company has not utilized its full production capacity due to certain plant modifications and low demand due to recessionary condition		
Sales – Cement		
- Local	<b>1,003,048</b>	<b>1,081,500</b>
- Export	<b>272,925</b>	<b>191,624</b>
- Clinker	<b>2,490</b>	<b>440</b>
	<b><u>1,278,463</u></b>	<u>1,273,564</u>

**42. DATE OF AUTHORIZATION FOR ISSUE**

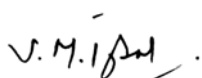
These financial statements were authorized for issue on September 26, 2011 by the Board of Directors of the Company.

**43. CORRESPONDING FIGURES**


Certain prior year's figures have been reclassified, consequent upon certain changes in current year's presentation for more appropriate comparison and better presentation. However, there are no material reclassifications to report, except exchange loss - net which have been reclassified from other operating expenses (note 33) to exchange loss - net (profit and loss account).

**44. GENERAL**

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



Syed Mazher Iqbal  
Chief Executive Officer



Rafique Dawood  
Director



## Pattern of Shareholding

as at June 30, 2011

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	PERCENTAGE
	FROM	TO		
1806	1	100	57,123	0.03
2004	101	500	501,141	0.22
1585	501	1000	1,162,313	0.51
1674	1001	5000	3,629,117	1.60
302	5001	10000	2,253,635	0.99
111	10001	15000	1,357,413	0.60
40	15001	20000	715,593	0.32
22	20001	25000	500,590	0.22
18	25001	30000	507,993	0.22
13	30001	35000	425,047	0.19
9	35001	40000	337,155	0.15
6	40001	45000	256,738	0.11
7	45001	50000	341,898	0.15
4	50001	55000	204,426	0.09
4	55001	60000	232,994	0.10
1	60001	65000	64,469	0.03
3	65001	70000	205,500	0.09
3	70001	75000	218,084	0.10
6	75001	80000	469,008	0.21
2	80001	85000	162,064	0.07
1	85001	90000	86,626	0.04
3	90001	95000	279,212	0.12
6	95001	100000	589,368	0.26
3	100001	1050000	305,217	0.13
3	105001	110000	322,863	0.14
1	110001	115000	111,146	0.05
2	120001	125000	244,545	0.11
1	145001	150000	150,000	0.07
1	155001	160000	156,662	0.07
1	165001	170000	170,000	0.07
1	190001	195000	192,368	0.08
3	195001	200000	598,460	0.26
1	205001	210000	205,369	0.09
1	210001	215000	211,682	0.09
1	240001	245000	241,754	0.11
1	270001	275000	272,088	0.12
1	285001	290000	286,755	0.13
1	300001	305000	300,035	0.13
1	315001	320000	315,868	0.14
1	320001	325000	322,353	0.14
1	350001	355000	354,911	0.16
1	360001	365000	365,000	0.16
1	370001	375000	370,500	0.16
1	495001	500000	500,000	0.22
2	575001	580000	1,150,597	0.51
1	595001	600000	597,640	0.26
1	605001	610000	607,585	0.27
2	740001	745000	1,489,000	0.66
1	995001	1000000	1,000,000	0.44
1	1035001	1040000	1,040,000	0.46
1	1170001	1175000	1,175,000	0.52
1	1175001	1180000	1,176,714	0.52
1	1285001	1290000	1,286,444	0.57
1	1300001	1305000	1,304,000	0.57
1	1385001	139000	1,387,503	0.61
1	1635001	1640000	1,636,500	0.72
1	2110001	2115000	2,113,935	0.93
1	3495001	3500000	3,500,000	1.54
1	3825001	3830000	3,826,151	1.68
1	6005001	6010000	6,010,000	2.65
1	7955001	7960000	7,959,707	3.50
1	8530001	8535000	8,531,583	3.76
1	8980001	8985000	8,981,643	3.95
1	13870001	13875000	13,871,633	6.11
1	15795001	15800000	15,800,000	6.96
1	23400001	23405000	23,403,750	10.30
1	23430001	23435000	23,430,453	10.32
1	26225001	26230000	26,229,000	11.55
1	49080001	49085000	49,084,872	21.61
<b>7685</b>			<b>227,148,793</b>	<b>100.00</b>



## Categories of Shareholders Shares Held Percentage

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, and their spouse and minor children	24,058,475	10.59
Associated Companies, undertakings and related parties	3,826,151	1.68
NIT	1,319,189	0.58
ICP	40,200	0.02
Banks Development Financial Inst. Non Banking Financial Institutions	39,784,221	17.51
Insurance Companies	115,689	0.05
Modarabas and Mutual Funds	318,219	0.14
<b>Share Holders Holding 10%</b>		
Malik Manzoor Hayat Noon (deceased)	39,230,453	17.27
Vision Holdings Middle East Ltd.	49,084,872	21.61
National Bank of Pakistan	27,526,759	12.12
Mr. Cevdet Dal	24,001,390	10.57
<b>General Public</b>		
a: Local	30,723,870	13.53
b: Foreign	70,707	0.03
<b>Others</b>		
Joint Stock Companies / Cooperative Societies / Trusts / Govt. Institutions	38,576,747	16.98



# 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**

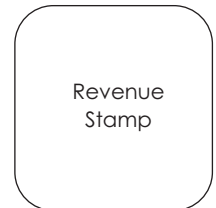
of \_\_\_\_\_

**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 25th Annual General Meeting of the Company to be held on Monday, October 31, 2011 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 \_\_\_\_\_ 2011

\_\_\_\_\_  
Signature of Shareholder



## Witness 1

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC \_\_\_\_\_

## Witness 2

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

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 convenience 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, shall 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.