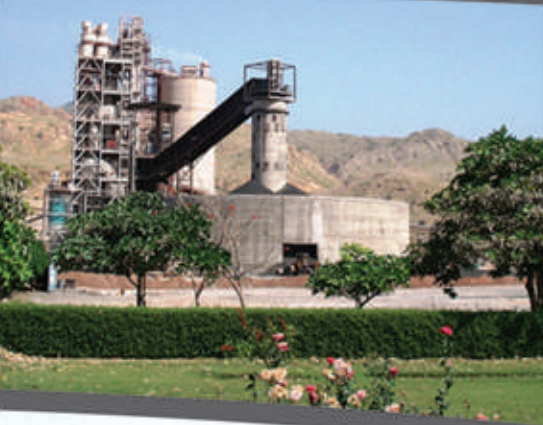


ENDURING STRENGTH



PIONEER
CEMENT LTD.



Annual Report 2012

ENDURING STRENGTH



PIONEER
CEMENT LTD.

Annual Report 2012



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**PIONEER
CEMENT LTD**



| | |
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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 Initiatives





Core Values

- ✿ Professional ethics
- ✿ Respect and courtesy
- ✿ Recognition of human asset
- ✿ Teamwork
- ✿ Innovations and improvement

Business Ethics

- ✿ Transparency in transactions
- ✿ Sound business policies
- ✿ Judicious use of Company's resources
- ✿ Avoidance of conflict 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 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 Initiatives

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 equipment 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 service 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 Managements System. This shows the commitment of the Management of Pioneer Cement towards environmental protection and prevention of pollution. Pioneer Cement 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 (PCL) 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 Chanki Villages.

- ✿ Donations were extended for construction of educational block in District Public School, Khushab.
- ✿ Donations were made to employees living in earthquake affected areas and also to the victims of these areas.
- ✿ PCL is playing an active role in Khushab District Industrial Association.
- ✿ PCL is providing technical support to Vocational Training Institute, Quaidabad.

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





Corporate Information

Board of Directors

Chairman

Mr. Shafiuddin Ghani Khan

Members

Mr. Mohammad Aftab Alam
Syed Anwar Ali
Mr. Faisal Imran Hussain Malik
Mr. Saleem Shahzada
Mr. Cevdet Dal
Mr. Shazib Masud
Mr. Javed Haider (NBP)
Mr. Rafique Dawood (FDIB)
Syed Mazher Iqbal (MD & CEO)

Audit Committee

Chairman

Mr. Rafique Dawood (FDIB)

Member

Mr. Saleem Shahzada
Mr. Mohammad Aftab Alam
Mr. Javed Haider (NBP)
Mr. Shafiuddin Ghani Khan

Human Resource Committee

Mr. Shafiuddin Ghani Khan
Mr. Mohammad Aftab Alam
Syed Mazher Iqbal (MD & CEO)

Chief Financial Officer

Mr. Waqar Naeem

Company Secretary

Syed Anwar Ali

Chief Internal Auditor

Mr. Jamal-ud-Din

Executive Director Operation

Sh. Javed Elahi

Statutory Auditors

Ernst & Young Ford Rhodes Sidat Hyder
(Chartered Accountants)

Cost Auditors

Javed Iqbal & Company

Legal Advisor

Hassan & Hassan

Bankers

Askari Commercial Bank Limited
Bank Al Habib Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited

Registered / Head Office

135 Ferozepur Road,
Lahore, Pakistan.
Telephone: (042) 37503570-72
Fax: (042) 37503573-74
Email: pioneer@pioneercement.com

Website: www.pioneercement.com

Sales Offices

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

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

Marketing and Shares Office

135 Ferozepur Road
Lahore, Pakistan.
Telephone: (042) 37503570-72
Fax: (042) 37503573-74
Email: pclahore@pioneercement.com
shares@pioneercement.com

Factory

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

Financial Highlights

Six years at a glance

| | UoM | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|----------------------|---------|---------|---------|---------|---------|---------|
| Production and Sales | | | | | | | |
| Clinker Production | -----tons (000) | 1,179 | 1,189 | 1,163 | 1,145 | 1,640 | 1,238 |
| Cement Production | | 1,178 | 1,285 | 1,267 | 1,034 | 1,492 | 1,264 |
| Cement / Clinker Dispatches | | | | | | | |
| Domestic Market | | 989 | 1,003 | 1,082 | 923 | 1,337 | 1,141 |
| International Market | | 200 | 275 | 192 | 244 | 448 | 132 |
| | | 1,189 | 1,278 | 1,274 | 1,167 | 1,785 | 1,273 |
| Capacity Utilization (based on installed capacity) | % | 59% | 60% | 58% | 57% | 82% | 62% |
| Financial position | | | | | | | |
| Assets Employed | | | | | | | |
| Property plant and equipment | ----- | 8,131 | 8,614 | 8,938 | 9,255 | 9,571 | 7,511 |
| Other long term assets | | 38 | 49 | 54 | 72 | 117 | 134 |
| Current assets | | 1,941 | 1,184 | 1,334 | 1,021 | 785 | 966 |
| Total Assets | | 10,111 | 9,847 | 10,325 | 10,348 | 10,473 | 8,610 |
| Financed by | | | | | | | |
| Shareholders equity | -----Rs. in million | 3,136 | 2,467 | 2,218 | 2,401 | 2,305 | 2,096 |
| Surplus on revaluation of fixed assets-net of tax | | 1,782 | 2,059 | 2,121 | 2,181 | 2,240 | 574 |
| Long term liabilities | | 3,603 | 3,476 | 3,648 | 4,347 | 4,556 | 5,018 |
| Other Current liabilities | | 1,590 | 1,846 | 2,338 | 1,419 | 1,371 | 922 |
| Total Funds Invested | | 10,111 | 9,847 | 10,325 | 10,348 | 10,473 | 8,610 |
| Turnover and profit / (loss) | | | | | | | |
| Net turnover | ----- | 6,487.1 | 5,272.9 | 3,872.8 | 5,000.2 | 4,853.8 | 3,185.4 |
| Gross profit / (loss) | | 1,587.0 | 741.7 | (81.0) | 1,332.9 | 513.6 | 372.1 |
| Operating profit / (loss) | | 1,408.4 | 542.9 | (299.2) | 889.2 | (12.0) | 186.7 |
| Profit / (loss) before taxation | | 924.3 | 71.8 | (859.3) | 174.3 | (574.0) | (184.4) |
| Profit / (loss) after taxation | | 601.5 | 120.7 | (590.9) | 36.1 | (180.0) | (93.5) |
| EBITDA | | 1,775.3 | 922.1 | 92.7 | 1,269.6 | 423.3 | 562.5 |
| Earnings / (loss) per share | | Rs. | 2.65 | 0.54 | (2.87) | 0.18 | (0.93) |
| Breakup value per share | Rs. | 21.65 | 19.92 | 19.48 | 22.96 | 22.78 | 15.73 |
| Cash flow summary | | | | | | | |
| Net cash generated from / (used) in operating activities | -----Rs. in million- | 1,202.7 | 915.7 | (82.4) | 913.6 | 496.4 | 193.3 |
| Net cash used in investing activities | | (43.5) | (52.0) | (73.5) | (63.5) | (182.0) | (235.4) |
| Net cash (outflow) / inflow from financing activities | | (994.0) | (769.4) | 52.4 | (783.0) | (527.6) | 275.7 |
| Increase / (decrease) in cash and cash equivalents | | 165.1 | 94.3 | (103.4) | 67.0 | (213.2) | 233.6 |
| Cash and cash equivalents at beginning of the year | | 150.2 | 55.9 | 159.3 | 139.2 | 305.5 | 71.9 |
| Cash and cash equivalents at end of the year | | 315.3 | 150.2 | 55.9 | 206.2 | 92.3 | 305.5 |

Financial Performance

Financial Ratios

| | UoM | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|--------------|--------|--------|---------|---------|---------|---------|
| Profitability ratios | | | | | | | |
| Gross profit / (loss) to sales | | 24.46 | 14.07 | (2.09) | 26.66 | 10.58 | 11.68 |
| Operating profit / (loss) to sales | | 21.71 | 10.30 | (7.72) | 17.78 | (0.25) | 5.86 |
| Net profit / (loss) before tax to sales | | 14.25 | 1.36 | (22.19) | 3.49 | (11.83) | (5.79) |
| Net profit / (loss) after tax to sales | | 9.27 | 2.29 | (15.26) | 0.72 | (3.71) | (2.94) |
| EBITDA to sales | | 27.37 | 17.49 | 2.39 | 25.39 | 8.72 | 17.66 |
| Return on equity (after tax) | | 26.48 | 5.31 | (26.53) | 1.81 | (9.02) | (5.51) |
| Return on capital employed | | 24.39 | 4.89 | (23.96) | 1.46 | (7.30) | (3.79) |
| | -percentage- | | | | | | |
| Liquidity ratios | | | | | | | |
| Current ratio | | 0.43:1 | 0.27:1 | 0.27:1 | 0.29:1 | 0.26:1 | 0.47:1 |
| Acid test ratio | | 0.1:1 | 0.08:1 | 0.05:1 | 0.11:1 | 0.1:1 | 0.19:1 |
| EBITDA to current Liabilities | | 0.4:1 | 0.21:1 | 0.02:1 | 0.36:1 | 0.14:1 | 0.27:1 |
| Cash to current liabilities | | 0.06:1 | 0.03:1 | 0.01:1 | 0.05:1 | 0.05:1 | 0.15:1 |
| Cash flow from operating activities to sales | | 0.19:1 | 0.17:1 | -0.02:1 | 0.18:1 | 0.1:1 | 0.06:1 |
| | ---times--- | | | | | | |
| Activity / turnover ratios | | | | | | | |
| Inventory turnover | Times | 4.24 | 4.77 | 4.61 | 6.39 | 8.17 | 5.41 |
| No. of days to inventory | Days | 86.04 | 76.46 | 79.26 | 57.13 | 44.69 | 67.43 |
| Debtors turn over | Times | 323.69 | 238.03 | 143.54 | 172.35 | 189.21 | 220.28 |
| No. of days in receivables | Days | 1.13 | 1.53 | 2.54 | 2.12 | 1.93 | 1.66 |
| Creditors turnover | Times | 6.51 | 5.69 | 5.16 | 4.88 | 6.47 | 6.80 |
| No. of days in payables | Days | 56.08 | 64.18 | 70.76 | 74.82 | 56.38 | 53.71 |
| Operating cycle | Days | 31.09 | 13.82 | 11.04 | (15.58) | (9.76) | 15.38 |
| Total assets turnover | % | 64.16 | 53.55 | 37.51 | 48.32 | 46.35 | 36.99 |
| Fixed assets turnover | % | 79.78 | 61.21 | 43.33 | 54.03 | 50.71 | 42.41 |
| Investment valuation ratios | | | | | | | |
| Earnings / (loss) per share (after tax) | Rs. | 2.65 | 0.54 | (2.87) | 0.18 | (0.93) | (0.50) |
| Price / earning ratio (after tax) | Times | 3.47 | 10.22 | (2.22) | 75.44 | (30.29) | (74.80) |
| Market value per share as on June 30 | Rs. | 9.20 | 5.52 | 6.37 | 13.58 | 28.17 | 37.40 |
| Capital structure ratios | | | | | | | |
| Financial leverage ratio | % | 6.91 | 9.32 | 10.44 | 22.01 | 28.24 | 44.91 |
| Debt / equity ratio | Times | 42:58 | 43:57 | 46:54 | 49:51 | 50:50 | 65:35 |
| Interest coverage ratio | Times | 4.29 | 1.52 | (0.76) | 1.97 | (0.03) | 0.51 |

Analysis of Balance Sheet

| | UoM | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| Share capital and reserves | Rs. in million | 3,136 | 2,467 | 2,218 | 2,401 | 2,305 | 2,096 | |
| Surplus on revaluation of fixed assets | | 1,782 | 2,059 | 2,121 | 2,181 | 2,240 | 574 | |
| Long term liabilities | | 3,603 | 3,476 | 3,648 | 4,347 | 4,556 | 5,018 | |
| Current liabilities | | 1,590 | 1,846 | 2,338 | 1,419 | 1,371 | 922 | |
| Total equity and liabilities | | 10,111 | 9,847 | 10,325 | 10,348 | 10,473 | 8,610 | |
| Non current assets | | 8,169 | 8,663 | 8,991 | 9,327 | 9,688 | 7,644 | |
| Current assets | | 1,941 | 1,184 | 1,334 | 1,021 | 785 | 966 | |
| Total assets | | 10,111 | 9,847 | 10,325 | 10,348 | 10,473 | 8,610 | |
| Vertical analysis | | | | | | | | |
| Share capital and reserves | | 31.02 | 25.05 | 21.48 | 23.20 | 22.01 | 24.34 | |
| Surplus on revaluation of fixed assets | | 17.62 | 20.91 | 20.54 | 21.08 | 21.39 | 6.67 | |
| Long term liabilities | | 35.63 | 35.29 | 35.33 | 42.01 | 43.50 | 58.27 | |
| Current liabilities | | 15.72 | 18.75 | 22.65 | 13.72 | 13.10 | 10.71 | |
| Total equity and liabilities | | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | |
| Non current assets | | 80.80 | 87.97 | 87.08 | 90.14 | 92.50 | 88.78 | |
| Current assets | | 19.20 | 12.03 | 12.92 | 9.86 | 7.50 | 11.22 | |
| Total assets | | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | |
| Horizontal analysis (i) | | | | | | | | |
| Cumulative | | | | | | | | |
| Share capital and reserves | | 49.62 | 17.67 | 5.82 | 14.52 | 9.98 | 100.00 | |
| Surplus on revaluation of fixed assets | 210.26 | 258.55 | 269.32 | 279.81 | 290.08 | 100.00 | | |
| Long term liabilities | (28.20) | (30.73) | (27.29) | (13.36) | (9.20) | 100.00 | | |
| Current liabilities | 72.33 | 100.15 | 153.49 | 53.85 | 48.67 | 100.00 | | |
| Total equity and liabilities | 17.42 | 14.36 | 19.92 | 20.18 | 21.63 | 100.00 | | |
| Non current assets | 6.87 | 13.33 | 17.62 | 22.02 | 26.73 | 100.00 | | |
| Current assets | 100.88 | 22.55 | 38.06 | 5.62 | (18.76) | 100.00 | | |
| Total assets | 17.42 | 14.36 | 19.92 | 20.18 | 21.63 | 100.00 | | |
| Horizontal analysis (ii) | | | | | | | | |
| Year vs Year | | | | | | | | |
| Share capital and reserves | 27.16 | 11.20 | (7.60) | 4.12 | 9.98 | 100.00 | | |
| Surplus on revaluation of fixed assets | (13.47) | (2.92) | (2.76) | (2.63) | 290.08 | 100.00 | | |
| Long term liabilities | 3.66 | (4.73) | (16.08) | (4.58) | (9.20) | 100.00 | | |
| Current liabilities | (13.90) | (21.04) | 64.77 | 3.48 | 48.67 | 100.00 | | |
| Total equity and liabilities | 2.67 | (4.63) | (0.21) | (1.19) | 21.63 | 100.00 | | |
| Non current assets | (5.70) | (3.65) | (3.60) | (3.72) | 26.73 | 100.00 | | |
| Current assets | 63.91 | (11.23) | 30.71 | 30.01 | (18.76) | 100.00 | | |
| Total assets | 2.67 | (4.63) | (0.21) | (1.19) | 21.63 | 100.00 | | |

Analysis of Profit and Loss Account

| | UoM | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-----|-----------------|-------------------|-------------------|-------------------|-----------------|----------------|
| Net turnover | | 6,487.1 | 5,272.9 | 3,872.8 | 5,000.2 | 4,853.8 | 3,185.4 |
| Cost of sales | | (4,900.2) | (4,531.2) | (3,953.8) | (3,667.3) | (4,340.2) | (2,813.3) |
| Gross profit / (loss) | | 1,587.0 | 741.7 | (81.0) | 1,332.9 | 513.6 | 372.1 |
| Distribution cost | | (78.8) | (150.6) | (158.8) | (360.0) | (466.0) | (108.4) |
| Administrative cost | | (61.9) | (52.3) | (78.8) | (97.7) | (90.0) | (86.9) |
| Other income / (charges) | | (37.9) | 4.1 | 19.5 | 14.0 | 30.4 | 9.9 |
| Operating profit / (loss) | | 1,408.4 | 542.9 | (299.2) | 889.2 | (12.0) | 186.7 |
| Finance cost | | (328.0) | (357.9) | (392.7) | (451.5) | (413.2) | (365.8) |
| Exchange loss - net | | (156.0) | (113.2) | (167.5) | (263.5) | (148.8) | (5.3) |
| Profit / (loss) before taxation | | 924.3 | 71.8 | (859.3) | 174.3 | (574.0) | (184.4) |
| Taxation | | (322.8) | 48.8 | 268.4 | (138.2) | 394.0 | 90.9 |
| Profit / (loss) after taxation | | 601.5 | 120.7 | (590.9) | 36.1 | (180.0) | (93.5) |
| Vertical analysis | | | | | | | |
| Net turnover | | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Cost of sales | | (75.54) | (85.93) | (102.09) | (73.34) | (89.42) | (88.32) |
| Gross profit / (loss) | | 24.46 | 14.07 | (2.09) | 26.66 | 10.58 | 11.68 |
| Distribution cost | | (1.21) | (2.86) | (4.10) | (7.20) | (9.60) | (3.40) |
| Administrative cost | | (0.95) | (0.99) | (2.04) | (1.95) | (1.85) | (2.73) |
| Other income / (charges) | | (0.58) | 0.08 | 0.50 | 0.28 | 0.63 | 0.31 |
| Operating profit / (loss) | | 21.71 | 10.30 | (7.72) | 17.78 | (0.25) | 5.86 |
| Finance cost | | (5.06) | (6.79) | (10.14) | (9.03) | (8.51) | (11.49) |
| Exchange loss - net | | (2.41) | (2.15) | (4.32) | (5.27) | (3.07) | (0.17) |
| Profit / (loss) before taxation | | 14.25 | 1.36 | (22.19) | 3.49 | (11.83) | (5.79) |
| Taxation | | (4.98) | 0.93 | 6.93 | (2.76) | 8.12 | 2.86 |
| Profit / (loss) after taxation | | 9.27 | 2.29 | (15.26) | 0.72 | (3.71) | (2.94) |
| Horizontal analysis (i) | | | | | | | |
| Cumulative | | | | | | | |
| Net turnover | | 103.65 | 65.53 | 21.58 | 56.97 | 52.37 | 100.00 |
| Cost of sales | | 74.18 | 61.06 | 40.54 | 30.36 | 216.33 | 100.00 |
| Gross profit / (loss) | | 326.48 | 99.33 | (121.76) | 258.20 | 38.03 | 100.00 |
| Distribution cost | | (27.31) | 38.90 | 46.53 | 232.06 | 329.91 | 100.00 |
| Administrative cost | | (28.74) | (39.78) | (9.26) | 12.41 | 3.57 | 100.00 |
| Other income / (charges) | | (482.42) | (58.94) | 96.90 | 41.25 | 207.04 | 100.00 |
| Operating profit / (loss) | | 654.24 | 190.74 | (260.21) | 376.22 | (106.43) | 100.00 |
| Finance cost | | (10.34) | (2.17) | 7.33 | 23.40 | 12.94 | 100.00 |
| Exchange loss - net | | 4.86 | (23.96) | 12.57 | 77.07 | 100.00 | - |
| Profit / (loss) before taxation | | (601.16) | (138.94) | 365.90 | (194.51) | 211.22 | 100.00 |
| Taxation | | (454.96) | (46.31) | 195.11 | (251.95) | 333.27 | 100.00 |
| Profit / (loss) after taxation | | (743.37) | (229.05) | 532.05 | (138.63) | 92.49 | 100.00 |
| Horizontal analysis (ii) | | | | | | | |
| Year vs Year | | | | | | | |
| Net turnover | | 23.03 | 36.15 | (22.55) | 3.02 | 52.37 | 100.00 |
| Cost of sales | | 8.14 | 14.60 | 7.81 | (15.50) | 54.27 | 100.00 |
| Gross profit / (loss) | | 113.96 | (1,015.94) | (106.08) | 159.51 | 38.03 | 100.00 |
| Distribution cost | | (47.67) | (5.20) | (55.87) | (22.76) | 329.91 | 100.00 |
| Administrative cost | | 18.32 | (33.63) | (19.27) | 8.53 | 3.57 | 100.00 |
| Other income / (charges) | | (1,031.44) | (79.15) | 39.40 | (54.00) | 207.04 | 100.00 |
| Operating profit / (loss) | | 159.42 | (281.47) | (133.64) | (7,503.00) | (106.43) | 100.00 |
| Finance cost | | (8.35) | (8.85) | (13.03) | 9.26 | 12.94 | 100.00 |
| Exchange loss - net | | 37.89 | (32.44) | (36.43) | 77.07 | 2,695.92 | 100.00 |
| Profit / (loss) before taxation | | 1,186.95 | (108.36) | (592.99) | (130.37) | 211.22 | 100.00 |
| Taxation | | (761.17) | (81.81) | (294.22) | (135.07) | 333.27 | 100.00 |
| Profit / (loss) after taxation | | 398.56 | (120.42) | (1,736.28) | (120.07) | 92.49 | 100.00 |

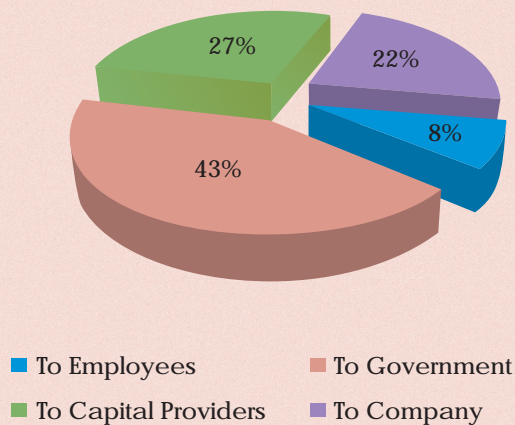
Rs. in million

percentage

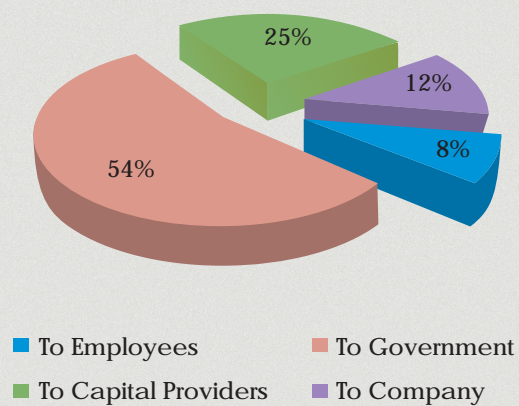
Statement of Value Addition and its Distribution

| | 2012 | | 2011 | |
|---|------------------|---------------|------------------|---------------|
| | Rs. in '000' | % | Rs. in '000' | % |
| Wealth Generated | | | | |
| Total revenue inclusive of taxes and other income | 8,065,811 | | 6,961,819 | |
| Bought in material and services | (4,399,812) | | (3,867,877) | |
| | <u>3,665,999</u> | <u>100.00</u> | <u>3,093,942</u> | <u>100.00</u> |
| Wealth Distribution to: | | | | |
| Employees | | | | |
| Salaries, benefits and other costs | 298,963 | 8.16 | 257,706 | 8.33 |
| Government | | | | |
| Income Tax, sales tax, excise duty and others | 1,560,623 | 42.57 | 1,680,145 | 54.30 |
| Capital Providers | | | | |
| Dividend, markup / interest to lenders | 994,022 | 27.11 | 769,420 | 24.87 |
| Company | | | | |
| Depreciation, amortization & retained profit | 812,391 | 22.16 | 386,671 | 12.50 |
| | <u>3,665,999</u> | <u>100.00</u> | <u>3,093,942</u> | <u>100.00</u> |

Wealth Distribution - 2012



Wealth Distribution - 2011



Notice of Annual General Meeting

Notice is hereby given that the 26th Annual General Meeting of Pioneer Cement Limited will be held at 135 Ferozepur Road, Lahore on Friday, November 30, 2012 at 11:30 a.m. to transact the following business:-

1. To confirm the minutes of the annual general meeting held on October 31, 2011.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2012 and the reports of the directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2013 and to fix their remuneration.
4. To transact any other business as may be placed before the meeting with the permission of the Chair.

The share transfer books of the Company will remain closed from November 23, 2012 to November 30, 2012 (both days inclusive) for the purpose of holding the AGM.

By order of the Board



Syed Anwer Ali
Company Secretary

Lahore
November 07, 2012

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 Computerized National Identity Card (CNIC)/Passport for the purpose of identification to attend the meeting.
2. Shareholders having physical share certificates are requested to immediately notify the change in address, if any and also send a copy of their CNIC if they have not already provided.
3. Please note the address of Company's Share Department/Registrars as under:
Pioneer Cement Limited, 135 Ferozepur Road, Lahore.





Directors' Report

The directors of your Company are pleased to present the 26th annual financial report for the year ended June 30, 2012.

ECONOMIC OUTLOOK:

During the fiscal year under review Pakistan economy faced numerous challenges which were as diverse as heavy rainfall and floods in August 2011 in Sindh and parts of Baluchistan, severe shortfall in power production and resulting power breakdowns, curtailed supply of natural gas, significant decline in foreign direct investment, increase in oil prices, political disharmony and unrest. Despite all these impediments the resilient economy of Pakistan was able to achieve a modest but reduced GDP growth of 3.7% against the originally planned 4.2%. The overall economic performance was however slightly better compared to previous year.

CEMENT INDUSTRY:

Despite severe challenges at economic front, the domestic cement sector performed reasonably well. Local dispatches were up by 8.84% totaling 23.947 million tons; however exports were down by 9.12% totaling 8.568 million tons, compared to previous year.

During the year, domestic production capacities were increased by 2.268 million tons, resulting in a slight reduction of 1.32% in total capacity utilization which stood at 72.63%, compared to 73.95% in previous year.

Industry Performance

| | 2012 | 2011 | Variance | |
|-------------|--------------|--------|----------|------|
| | million tons | | | % |
| Local | 23.947 | 22.002 | 1.945 | 9% |
| Export | 8.568 | 9.428 | (0.860) | (9%) |
| Total | 32.515 | 31.430 | 1.085 | 4% |
| Capacity | 44.768 | 42.500 | 2.268 | 5% |
| Utilization | 72.63% | 73.95% | | (1%) |

BUSINESS PERFORMANCE:

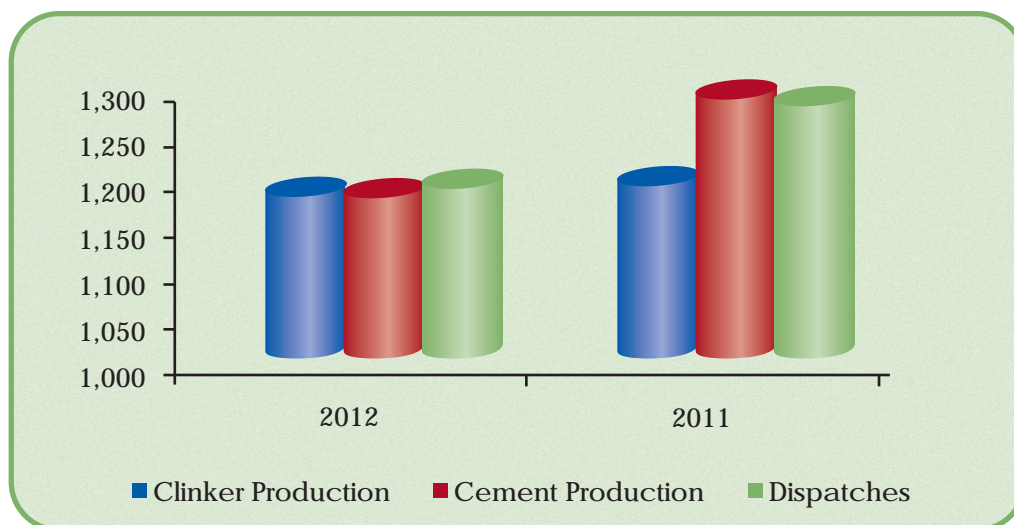
Production and Sales:

A summary of production and quantitative sales of the Company for the year under review is as follows:

Production and Sales

| | 2012 | 2011 | Variance | |
|---------------------------|--------------|--------|----------|-------|
| | million tons | | | % |
| PRODUCTION | | | | |
| Clinker Production | 1.179 | 1.189 | (0.010) | (1%) |
| Cement Production | 1.178 | 1.285 | (0.107) | (8%) |
| Capacity Utilization (%) | 59.10% | 59.61% | | (1%) |
| SALES / DISPATCHES | | | | |
| Local | 0.989 | 1.003 | (0.014) | (1%) |
| Export | 0.200 | 0.275 | (0.075) | (27%) |
| Total | 1.188 | 1.278 | (0.090) | (7%) |

A graphical comparison and presentation of quantitative production and sales data is as under:



Financial Performance:

A summary of key financial results for the year ended June 30, 2012 is as under:

Key Financial Results

| | 2012 | 2011 | Variance | |
|--------------------------|-------------------|----------|----------|--------|
| | Rupees in million | | | % |
| Net Sales Revenue | 6,487.13 | 5,272.89 | 1,214.24 | 23% |
| Gross Profit | 1,586.96 | 741.73 | 845.23 | 114% |
| Operating Profit | 1,408.39 | 542.89 | 865.02 | 159% |
| Pretax Profit | 924.34 | 71.82 | 852.52 | 1,187% |
| Post Tax Profit | 601.52 | 120.65 | 480.87 | 399% |
| Earnings per Share (Rs.) | 2.65 | 0.54 | 2.11 | 391% |

Revenue and Cost of Production:

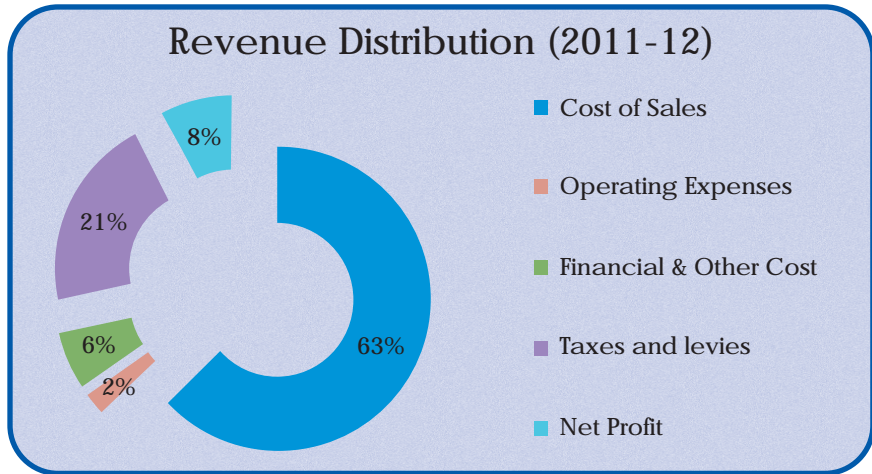
The total Sales Revenue for the year under review stood at Rs.8.046 billion as against Rs.6.942 billion in previous year, an increase of 16%. The Net Sales Revenue amounting Rs.6.487 billion is an increase of 23% over Rs.5.273 billion achieved last year.

Sales Revenue

| | 2012 | 2011 | Variance | |
|--------------|-------------------|----------|----------|-------|
| | Rupees in million | | | % |
| Local Sales | 7,241.65 | 5,974.31 | 1,267.34 | 21% |
| Export Sales | 803.90 | 967.31 | (163.41) | (17%) |
| Total | 8,045.55 | 6,941.62 | 1,103.93 | 16% |

Increase in Sales Revenue for the year under review is mainly attributable to better sales prices in domestic market and improved sales in high retention areas. Revenue from exports also increased due to higher prices from exports to Afghanistan and general increase in prices in Rupee terms due to devaluation of Pak Rupees against US dollars.

Revenue Distribution (2011-12)



The Gross profit for the year increased to Rs.1.587 billion from Rs.0.742 billion achieved last year, registering an increase of Rs.0.845 billion (114%), mainly on account of improved net selling prices and control over the cost of production.

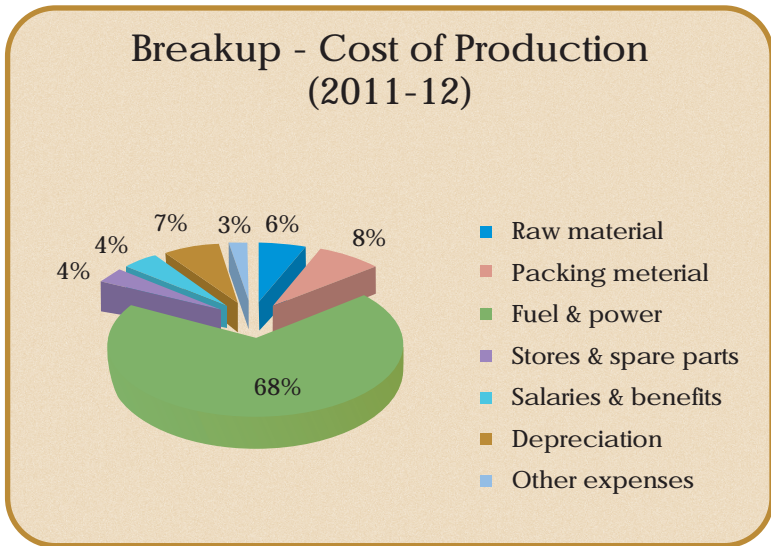
The operating and pretax profit increased over previous year by 159% and 1187% measuring Rs.1.408 billion and Rs.0.924 billion respectively.

The cost of production for the year was higher by 14% as compared to last year mainly on account of increase in prices of fuel and power, raw material prices, stores and spares and general inflation.

The per ton cost increased by 16% out of that 74% increase was due to increase in fuel and power cost. Other manufacturing expenses also increased mainly due to provision made for slow moving stores and spare parts.

The combination and contribution of various costs remain almost same as in previous year, except for fuel and power which was 1% higher over previous year due to increase in tariff and power breakdowns.

Breakup - Cost of Production (2011-12)



Operating and Financial Costs:

The Company generated a net profit of Rs.0.602 billion during the year under review, compared to Rs.0.121 billion in previous year, an increase of 399%. The management is consistently focusing to reduce the costs and as a result total Operating and Financial Costs for the year under review were Rs.662.620 million which is 1% less than Rs.669.902 million in the previous financial year. Total costs suffered mainly on account of devaluation of Pakistani currency, which impact prices of imported coal, a major constituent of cost of production.

The distribution cost for the year stood at Rs.78.8 million as against Rs.150.576 million in previous year, registering a decrease of 48% mainly on account of reduction in export via sea, which was found less attractive due to increased transportation cost from Plant to port. The administrative expenses for the year were 18% higher as compared to previous year. Main areas of increase were office rent on shifting of Head Office to Lahore, amortization costs, annual increment of staff and general inflation. The other operating income remained almost same while other operating expenses increased on account of increased provision for WPPF based on profit.

The financial cost for the year reduced by 8% over last year, due to efficient use of working capital and repayment of loans. The exchange loss on foreign currency loan increased by Rs.42.872 million to reach at Rs.156 million, due to devaluation of Pak Rupee that distressed the revenue by 2.4%.

Pre and Post-Tax Profits:

Your Company registered a pretax profit of Rs.924.340 million as against Rs.71.824 million earned in previous financial year. The tax provision for the year comprise of Rs.65.739 million and Rs.257.084 million for current and deferred tax respectively resulting in a net profit of Rs.601.517 million as against net profit of Rs.120.650 million in last year.

Earnings per Share:

The earnings per share for the year stood at Rs.2.65 per share which is almost 5 times of Rs.0.54 in previous year.

Working Capital Management:

The management has established an effective and efficient Working Capital Management System. The working capital requirements are planned and satisfied through internal cash generations and short term financings.

The cash generation from operations for the year was Rs.1.271 billion out of which 82% was used in repayment of long and short term financial obligations.

Financial Restructuring:

The management is keen and upto date in timely repayment of restructured loans with National Bank of Pakistan (NBP), Bank of Punjab (BoP) and Bankers' Equity Limited (BEL). The management is also under negotiation on alternate options with NBP for remaining portion of restructured loan against which the Company has to issue preference shares. Except issuance of preference shares, all other restructuring terms have been complied with and there is no overdue in these loans.

The foreign currency loans which is hurting the Company largely in terms of devaluation of Pak Rupee is also under negotiation for restructuring for which the management has put up various proposals. A positive outcome of these negotiations will improve the financial health of the Company.

Relocation of Head Office:

During the year the Company's Head Office was relocated to Lahore from Karachi. The relocation was necessary to focus on marketing and sales activities and close monitoring of Plant operations.

Appropriation:

The Board of Directors has not recommended any dividend for the year under review considering the immense future cash out flow requirements for plant improvement and repayment of debts of the Company.

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 comprehensive compliance of Code of Corporate Governance enforced by Securities and Exchange Commission of Pakistan.

The Board confirms that:

- ✿ The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and change in equity.
- ✿ Proper books of account have been maintained.
- ✿ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- ✿ International Accounting Standards as applicable in Pakistan have followed in preparation of financial statements and any departure there from has been adequately disclosed.
- ✿ The existing system of internal control and procedures are regularly reviewed. This is formulized by the Board's Audit Committee and is updated as and when required.
- ✿ There are no significant doubts upon Company's ability to continue as a going concern.
- ✿ There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- ✿ The Statement of Ethics and Business Strategy is prepared and circulated amongst the directors and employees.
- ✿ The Board has adopted a mission and vision statement and a statement of overall corporate strategy.
- ✿ As required by the Code of Corporate Governance, following information is given separately with this report:
 - Key operating and financial statistics for six years (page no. 12 -16).
 - Statement of Pattern of Shareholding (page no. 74).
 - Statement of shares held by associated companies, undertakings and related persons (page no 75).
 - Statement of other information (page no. 76).

Board and Audit Committee Meetings and Attendance:

During the year under review five (5) meetings each of Board of Directors and Audit Committee were held for which the attendance by directors / members and chief executive officer is as under:

| Name of Directors / Members | No. of Meeting attended | |
|-----------------------------|-------------------------|-----------------|
| | Board of Directors | Audit Committee |
| Mr. Asif H. Bukhari | 5 | N/A |
| Syed Mazher Iqbal | 5 | N/A |
| Mr. Shafiuddin Ghani Khan | 2 | 3 |
| Mr. Mohammad Aftab Alam | 2 | 3 |
| Syed Anwer Ali | 2 | N/A |
| Mr. Cevdet Dal | 0 | N/A |
| Mr. Shazib Masud | 2 | N/A |
| Mr. Saleem Shahzada | 2 * | 1 |
| Mr. Rafique Dawood (FDIBL) | 5 | 5 |
| Mr. Javed Haider (NBP) | 5 | 5 |
| Mr. Omer Adil Jaffer | 2 *** | N/A |
| Mr. William Gordon Rodgers | 3 ** / *** | 2 ** |
| Mr. Aly Khan | 2 ** / *** | 2 ** |
| Mr. Etrat Hussain Rizvi | 3 *** | N/A |

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

*** Retired on 31.10.2011

CORPORATE SOCIAL PERFORMANCE:

Health, Safety and Environment:

The management is committed to provide a safe, healthy and nurturing environment and accordingly has successfully achieved certification of ISO 9001 and 14001.

Gaseous and Dust Emission:

The Company is dedicated for a pollution free atmosphere and accordingly electrostatic precipitator

and dust collectors have been installed at the production facility of the Company. Further, our coal firing burner is a 3rd generation burner which helps in reducing environment pollution from nitrogen oxide and carbon monoxide.

Employee Safety:

All the employees of the Company have been provided with all required gadgets and protection devices for protection from inherent noises. These are reviewed and checked periodically and all necessary measures are taken to avoid any mishap.

Community Investment and Welfare Scheme:

The Company as a corporate citizen is constantly contributing towards the welfare of the society. The Company is playing an active role in various community development programs including a health dispensary and primary school at Chenki (the production facility site).

Contribution to National Exchequer:

The Company contributed an amount of Rs.1.624 billion (2011: Rs.1.723 billion) into Government Treasury on account of taxes, levies, sales and excise duty.

EMPLOYEE WELFARE:

Provident Fund / Gratuity:

The Company operates a funded Provident Fund Scheme for all permanent employees while all contracted employees below age of 60 years are entitled to an unfunded Gratuity Scheme. The un-audited value of investments of Provident Fund as on June 30, 2012 was Rs.76.233 million (2011: Rs.72.658 million).

Human Capital:

The Company recognizes its human resource as one of the valuable asset. Employees with high performance are awarded to create a well conducive environment to motivate other employees for better performance. The Company also provides education and training to the employees to enhance their abilities and skills.

Medical and Hospitalization:

All eligible employees of the Company are provided with medical and hospitalization facilities as per Company policy in order to provide them peace of mind to concentrate on discharging their professional duties with zest and zeal.

AUDITORS:

The retiring auditors, Messrs. Ernst and Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, offer themselves for reappointment.

BOARD COMMITTEES:

Audit Committee:

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance with the following members:

| | | |
|--------------------------|----------|------------------------|
| Mr. Rafique Dawood | Chairman | Creditor Director |
| Mr. Saleem Shahzada | Member | Non-Executive Director |
| Mr. Mohammed Aftab Alam | Member | Non-Executive Director |
| Mr. Shafuddin Ghani Khan | Member | Non-Executive Director |
| Mr. Javed Haider | Member | Creditor Director |

Human Resource and Remuneration Committee:

The Board, in compliance with the new Code of Corporate Governance has formed Human Resource and Remuneration Committee comprising of the following members:

| | | |
|---------------------------|--------|------------------------|
| Mr. Shafiuddin Ghani Khan | Member | Non-Executive Director |
| Mr. Mohammed Aftab Alam | Member | Non-Executive Director |
| Syed Mazher Iqbal | Member | Executive Director |

FUTURE OUTLOOK:

The business competition is getting tougher, challenging and demanding every day in general and highly competitive for the Cement Companies in particular. Ever increasing inflation, power shortfall, security issues, political instability and devaluation of local currency are causing concerns for the management to maintain the profitability.

In cement industry major cost of production is energy, power and freight which is difficult to plan and control due to unavoidable rupee devaluation and ever increasing fuel costs. Despite all odds which is largely hurting the profitability and production efficiencies, the survival will only be through cost saving initiatives. The management is fully focused on cost rationalization in all areas of operations to maximize the profitability which includes the use of alternate fuel, effective optimization of plant, efficient homogenization of raw materials, regular calibration of machines, equipment and devices and preventive and periodical maintenance. Management is working with the help of U.S Trade and Development Agency on viability of incorporating 35-50 MW biomass-fired power plant, WHR unit and energy efficiency to reduce dependence on grid power.

The sustainability of the Cement Industry is dependent upon the investment in infrastructure and real estate projects. The cement demand has witnessed some surge during the last quarter of fiscal year 2011-12 and it is anticipated that with upcoming general elections, the government would invest in projects of public interest which would entail cement demand in near future. Besides this, allocations of funds for the development of new dams can also increase the cement demand.

Further, in order to enhance the capacity utilization, the management is also focusing on finding new avenues for export of cement and clinker. Currently, India and Afghanistan are two countries where the Company is exporting cement. Apart from these two markets, management is also working on export orders via sea to African and Middle Eastern countries to maximize revenue and profitability.

ACKNOWLEDGEMENT:

The Board expresses gratitude to all customers for their persistent belief in the quality of our product, distributors, contractors and suppliers for their continued support and timely provision of required services, lenders, banks and financial institutions for their invariable and recurrent facilitations.

The Board also acknowledges the hard work of loyal, dedicated and devoted employees of the Company.

On behalf of the Board



Syed Mazher Iqbal
Chief Executive Officer

November 07, 2012
Lahore

Statement of Compliance with best practices of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework 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. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes nine non-executive directors.

| Category | Names |
|-------------------------------------|--------------------------------|
| Independent Non-executive Directors | Syed Anwer Ali |
| | Mr. Saleem Shahzada |
| | Mr. Shazib Masud |
| | Mr. Cevdet Dal |
| Non-executive Directors | Mr. Shaffiuddin Ghani Khan |
| | Mr. Mohammad Aftab Alam |
| | Mr. Faisal Imran Hussain Malik |
| | Mr. Rafique Dawood |
| | Mr. Javed Haider |
| Executive Director / CEO | Syed Mazher Iqbal |

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIL or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year election of directors was held on October 31, 2011 under provisions of the Companies Ordinance, 1984. No casual vacancy occurred on the Board during the financial year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors are conversant with their duties and responsibilities. The orientation courses are being arranged as per requirement of the Code.
10. The Board has approved appointment of CFO including his remunerations and terms and conditions of employment during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The board has formed an Audit Committee. It comprises one independent and four non-executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, two of them are non-executive directors.
18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's shares, was determined and intimated to directors, employees and stock exchanges.
22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board of Directors.



Syed Mazher Iqbal
Chief Executive

November 07, 2012
Lahore

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 prepared by the Board of Directors of **Pioneer Cement Limited** (the Company) to comply with the Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, the Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) and Chapter XI of the Listing Regulations of Islamabad stock exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance 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 controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 while recording proper justifications for using such alternate pricing mechanism. Further, all such transactions 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 as applicable to the Company for the year ended **30 June 2012**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Naseem Akbar
November 08, 2012
Lahore

A member firm of Ernst & Young Global Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pioneer Cement Limited** ("the Company") as at 30 June 2012 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 changes as stated in Note 4.1 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 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Naseem Akbar
November 08, 2012
Lahore

A member firm of Ernst & Young Global Limited



ENDURING STRENGTH



PIONEER
CEMENT LTD.

Financial Statements

Balance Sheet

As at June 30, 2012

| | Note | 2012 ----- (Rs. in '000') ----- | 2011 |
|---|------|------------------------------------|------------------|
| ASSETS | | | |
| Non current assets | | | |
| Fixed assets | | | |
| Property, plant and equipment | 5 | 8,130,414 | 8,612,974 |
| Intangible assets | 6 | 769 | 989 |
| | | 8,131,183 | 8,613,963 |
| Long term loans | 7 | - | 201 |
| Long term deposits | 8 | 38,292 | 49,005 |
| | | 8,169,475 | 8,663,169 |
| Current assets | | | |
| Stores, spare parts and loose tools | 9 | 1,050,927 | 672,489 |
| Stock in trade | 10 | 425,858 | 160,926 |
| Trade debts - unsecured, considered good | 11 | 28,236 | 21,475 |
| Loans and advances | 12 | 54,434 | 59,458 |
| Trade deposit and short term prepayments | 13 | 10,585 | 15,585 |
| Other receivables | 14 | 25,679 | 29,437 |
| Taxation - net | | 76,418 | 74,649 |
| Cash and bank balances | 15 | 268,909 | 150,172 |
| | | 1,941,046 | 1,184,191 |
| TOTAL ASSETS | | 10,110,521 | 9,847,360 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized share capital | 16 | 3,500,000 | 3,500,000 |
| Issued, subscribed and paid-up capital | 17 | 2,271,489 | 2,271,489 |
| Reserves | | 864,975 | 195,136 |
| | | 3,136,464 | 2,466,625 |
| Surplus on revaluation of fixed assets | 18 | 1,781,541 | 2,058,777 |
| Non current liabilities | | | |
| Long term loans - secured | 19 | 115,728 | 368,919 |
| Long term financing - secured | 20 | - | 35,648 |
| Liabilities against assets subject to finance lease | 21 | 43,971 | 87,505 |
| Deferred liabilities | 22 | 536,039 | 423,903 |
| Long term deposits | 23 | 3,400 | 1,763 |
| | | 699,138 | 917,738 |
| Current liabilities | | | |
| Trade and other payables | 24 | 816,168 | 689,561 |
| Accrued interest / mark up | | 489,632 | 440,492 |
| Short term morabaha - secured | 25 | 43,853 | 124,954 |
| Short term borrowing - secured | 26 | 223,707 | 560,561 |
| Current portion of non current liabilities | 27 | 2,903,658 | 2,557,861 |
| Sales tax payable | | 16,360 | 30,791 |
| | | 4,493,378 | 4,404,220 |
| CONTINGENCIES AND COMMITMENTS | 28 | | |
| TOTAL EQUITY AND LIABILITIES | | 10,110,521 | 9,847,360 |

The annexed notes from 1 to 45 form an integral part of these financial statements.



Syed Mazher Iqbal
Chief Executive Officer



Shaifuddin Ghani Khan
Chairman / Director

Profit and Loss Account

For the year ended June 30, 2012

| | Note | 2012 ----- (Rs. in '000') ----- | 2011 |
|---|------|------------------------------------|-----------|
| Gross turnover | 29 | 8,045,552 | 6,941,622 |
| Federal excise duty [including special excise duty Rs. Nil (2011: Rs. 66,612,941)] | | 494,261 | 769,157 |
| Sales tax | | 998,854 | 858,383 |
| Commission | | 65,310 | 41,194 |
| | | 1,558,425 | 1,668,734 |
| Net turnover | | 6,487,127 | 5,272,888 |
| Cost of sales | 30 | 4,900,167 | 4,531,162 |
| Gross profit | | 1,586,960 | 741,726 |
| Distribution cost | 31 | 78,800 | 150,576 |
| Administrative expenses | 32 | 61,907 | 52,321 |
| Other operating income | 33 | (20,259) | (20,197) |
| Other operating expenses | 34 | 58,122 | 16,132 |
| | | 178,570 | 198,832 |
| Operating profit | | 1,408,390 | 542,894 |
| Finance cost | 35 | 328,024 | 357,916 |
| Exchange loss | | 156,026 | 113,154 |
| | | 484,050 | 471,070 |
| Profit before taxation | | 924,340 | 71,824 |
| Taxation | 36 | 322,823 | (48,826) |
| Profit after taxation | | 601,517 | 120,650 |
| | | ----- (Rupees) ----- | |
| Basic and diluted earnings per share | 37 | 2.65 | 0.54 |

The annexed notes from 1 to 45 form an integral part of these financial statements.



Syed Mazher Iqbal
Chief Executive Officer



Shaafuddin Ghani Khan
Chairman / Director

Statement of Comprehensive Income

For the year ended June 30, 2012

| | 2012 | 2011 |
|---|----------------------------|----------------|
| | ----- (Rs. in '000') ----- | |
| Profit for the year | 601,517 | 120,650 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>601,517</u> | <u>120,650</u> |

The surplus arising on revaluation of fixed assets is presented under a separate head below equity in accordance with the requirements of Companies Ordinance, 1984.

The annexed notes from 1 to 45 form an integral part of these financial statements.



Syed Mazher Iqbal
Chief Executive Officer



Shaafuddin Ghani Khan
Chairman / Director

Cash Flow Statement

For the year ended June 30, 2012

| | Note | 2012 ----- (Rs. in '000') ----- | 2011 |
|--|------|------------------------------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 41 | 1,271,086 | 957,647 |
| Income tax paid | | (67,508) | (52,605) |
| Paid to Worker's Profit Participation Fund | | (3,857) | - |
| Gratuity and compensated absences paid | | (9,794) | (9,286) |
| | | (81,159) | (61,891) |
| Net cash flows from operating activities | | 1,189,927 | 895,756 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | | (47,099) | (56,238) |
| Proceeds from disposal of fixed assets | | 3,564 | 4,242 |
| Decrease in long term loans | | 201 | 281 |
| Decrease in long term deposits - net | | 12,350 | 19,684 |
| Net cash used in investing activities | | (30,984) | (32,031) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Liabilities against assets subject to finance lease | | (66,746) | (112,727) |
| Repayment of short term morabaha-secured - net | | (81,101) | (274,155) |
| Long term financing - net | | (35,648) | (26,223) |
| Long term loans - net | | (206,176) | (60,997) |
| Short term borrowing - secured - net | | (336,854) | (110,291) |
| Finance cost paid | | (313,673) | (185,027) |
| Dividend paid | | (8) | (5) |
| Net cash used in financing activities | | (1,040,206) | (769,425) |
| Net increase in cash and cash equivalents | | 118,737 | 94,300 |
| Cash and cash equivalents at the beginning of the year | | 150,172 | 55,872 |
| Cash and cash equivalents at the end of the year | 15 | 268,909 | 150,172 |

The annexed notes from 1 to 45 form an integral part of these financial statements.



Syed Mazher Iqbal
Chief Executive Officer



Shafiquddin Ghani Khan
Chairman / Director

Statement of Changes in Equity

For the year ended June 30, 2012

| | Issued, subscribed and paid-up capital | Capital reserve Share Premium | Revenue reserve Accumulated profit / (loss) | Total reserve | Total equity |
|--|---|--|--|------------------|-----------------|
| | ----- (Rs. in '000') ----- | | | | |
| Balance as at 01 July 2010 | 2,227,552 | 175,549 | (184,883) | (9,334) | 2,218,218 |
| Issue of shares against outstanding loans | 43,937 | 21,968 | - | 21,968 | 65,905 |
| Profit for the year | - | - | 120,650 | 120,650 | 120,650 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income - net of tax | - | - | 120,650 | 120,650 | 120,650 |
| Surplus on revaluation of fixed assets realized-net | - | - | 61,852 | 61,852 | 61,852 |
| Balance as at 30 June 2011 | 2,271,489 | 197,517 | (2,381) | 195,136 | 2,466,625 |
| Profit for the year | - | - | 601,517 | 601,517 | 601,517 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income - net of tax | - | - | 601,517 | 601,517 | 601,517 |
| Surplus on revaluation of fixed assets realized-net | - | - | 68,322 | 68,322 | 68,322 |
| Balance as at 30 June 2012 | 2,271,489 | 197,517 | 667,458 | 864,975 | 3,136,464 |

The annexed notes from 1 to 45 form an integral part of these financial statements.



Syed Mazher Iqbal
Chief Executive Officer



Shaheed Ghani Khan
Chairman / Director

Notes to the Financial Statements

For the year ended June 30, 2012

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 135, Ferozepur Road, Lahore. The Company's production facility is situated at Chenki, District Khushab in Punjab Province.

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.

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 provisions of or directives under the Companies Ordinance, 1984, shall prevail.

3. Basis of preparation

3.1 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 4.2 and 4.1. These financial statements are presented in Pakistani Rupee which is also the functional currency of the Company.

3.2 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 4.14);
- b) determining the residual values and useful lives of property, plant and equipment (note 4.2);
- c) post employment benefits (note 4.11);
- d) impairment of inventories / adjustment of inventories to their net realizable value (note 4.6);
- e) provision for doubtful debts / other receivables (note 4.7); and
- f) impairment of assets (note 4.20)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New and amended standards and interpretations

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

IFRS 7 - Financial Instruments: Disclosures

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)

Improvements to various standards issued by IASB

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures

IAS 1 – Presentation of Financial Statements

IFRIC 13 – Customer Loyalty Programmes

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

4.2 Property, plant and equipment

4.2.1 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 5.1 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 disposal up to the preceding 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. Gain or loss on disposal of an asset represented by the difference of the sale proceeds and the carrying amount of the asset is recognized 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.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

4.2.2 Capital work in progress

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

4.3 Leasehold improvements

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

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of an asset represented by the difference of the sale proceeds and the carrying amount of the asset is recognized in the profit and loss account.

4.4 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.

4.5 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and net realizable value. Cost comprises of 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.

4.6 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, labor 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.

4.7 Trade debts and other receivables

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

4.8 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 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.

4.10 Long term and short term borrowings

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

4.11 Employees' benefits

Defined contribution plan

The Company 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. Provision is made to cover the maximum liability at the balance sheet date.

Compensated absences

All the permanent and contractual workers are entitled for compensated absences plan. 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.

4.12 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.

4.13 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.

4.14 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 specified applicable rate for 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 it is probable that future taxable profits 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 periods 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 proportion to the respective revenues.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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 to the extent the carrying amount of the assets does not exceed its recoverable value, 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.

4.20 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. Recoverable amount is estimated as higher of fair value less cost to sell and value in use.

4.21 Dividend and appropriation reserves

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

4.22 Earnings per share

The company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

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

| Standard or Interpretation | Effective date (accounting periods beginning on or after) |
|--|--|
| IFRS 7 – Financial Instruments: Disclosures | 01 January 2013 |
| IAS 1 – Presentation of Financial Statements – Presentation of items of comprehensive income | 01 July 2012 |
| IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment) | 01 January 2012 |
| IAS 19 – Employee Benefits – (Amendment) | 01 January 2013 |
| IAS 32 – Offsetting Financial Assets and Financial liabilities (Amendment) | 01 January 2014 |

The Company expects that the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|--|--|
| IFRS 9 – Financial instruments: classification and measurement | 01 January 2015 |
| IFRS 10 – Consolidated financial statements | 01 January 2013 |
| IFRS 11 – Joint Arrangements | 01 January 2013 |
| IFRS 12 – Disclosure of Interests in other entities | 01 January 2013 |
| IFRS 13 – Fair Value Measurement | 01 January 2013 |

| | | 2012 | 2011 |
|-----------|---|----------------------------|------------------|
| | | ----- (Rs. in '000') ----- | |
| 5. | PROPERTY, PLANT AND EQUIPMENT | Note | |
| | Operating property, plant and equipment | 5.1 | 8,121,214 |
| | Capital work - in - progress | 5.2 | 9,200 |
| | | | 15,685 |
| | | | <u>8,130,414</u> |
| | | | <u>8,612,974</u> |

5.1 OPERATING PROPERTY, PLANT AND EQUIPMENT

| Note | COST / REVALUATION | | | RATE % | DEPRECIATION | | | WRITTEN DOWN VALUE As at 30 June 2012 |
|--------------------------------------|---------------------------|--------------------------|--|------------------------|--------------------------|--------------------------|--------------------|---|
| | As at 01 July 2011 | Additions / transfers | Revaluation Surplus / (deficit) | | Disposals / transfers | As at 01 July 2011 | For the year | |
| | -----Rupees in '000'----- | | | | | | | |
| Owned | | | | | | | | |
| Freehold land | 5.1.1 | 60,736 | 7,592 | - | - | - | - | 68,328 |
| Factory building on freehold land | 5.1.1 | 1,700,284 | 128,956 | - | 753,663 | 85,361 | 839,024 | 990,216 |
| Leasehold improvements | | - | 10,833 | - | - | 1,505 | 1,505 | 9,328 |
| Office building | | 15,164 | 61,985 | - | 14,454 | 98 | 14,552 | 62,597 |
| Roads & quarry development | | 56,008 | - | - | 56,008 | - | 56,008 | - |
| Plant and machinery line I | 5.1.1 | 5,130,852 | 1,522 (1,002,317) 17,103 * | - | 2,289,602 | 118,487 | 2,408,089 | 1,739,071 |
| Plant and machinery line II | 5.1.1 | 4,213,073 | 9,101 624,568 344,750 ** | - | 438,628 | 5,854 ** | 566,444 | 4,625,048 |
| Coal firing system | 5.1.1 | 371,888 | (82,145) | - | 137,302 | 9,913 | 147,215 | 142,528 |
| Furniture and fixture | | 26,205 | 1,058 | (1,991) | 19,785 | 1,108 | 19,094 | 6,178 |
| Office equipment | | 17,636 | 3,080 | (3) | 10,649 | (3) | 11,747 | 8,966 |
| Computers and accessories | | 19,787 | 306 | (1,824) | 18,201 | 818 | 17,205 | 1,064 |
| Vehicles | | 39,671 | 10,581 | (5,487) | 30,107 | 5,088 | 29,945 | 14,820 |
| | | 11,651,304 | 36,481 (261,361) 17,103 * 344,750 ** | (9,305)** | 3,768,399 | 345,441 | 4,110,828 | 7,668,144 |
| Assets subject to finance lease | | | | | | | | |
| Plant and machinery line II | 5.1.1 | 793,579 | 98,821 | (344,750) | 79,195 | 21,239 | 94,580 | 453,070 |
| Total - 2011-12 | | 12,444,883 | 36,481 (162,540) 17,103 * 344,750 ** | (9,305) (344,750)** | 3,847,594 | 366,680 | 4,205,408 | 8,121,214 |

* Transferred from capital work-in-progress.

** Transferred from assets subject to finance lease.

*** UoP stands for Units of Production.

| Note | COST / REVALUATION | | | RATE % | DEPRECIATION | | | WRITTEN DOWN VALUE |
|-----------------------------------|--------------------|-----------------------|---------------------------------|---------------------|--------------------|-----------------------|--------------|--------------------|
| | As at 01 July 2010 | Additions / transfers | Revaluation Surplus / (deficit) | | As at 01 July 2010 | Disposals / transfers | For the year | |
| -----Rupees in '000----- | | | | | | | | |
| Owned: | | | | | | | | |
| Freehold land | 5.1.1 | 60,736 | - | - | - | - | - | 60,736 |
| Factory building on freehold land | 5.1.1 | 1,700,284 | - | - | - | 84,667 | 753,663 | 946,621 |
| Office building | | 15,164 | - | - | 10 | 98 | 14,454 | 710 |
| Roads and quarry development | | 56,008 | - | - | 20 | 8,400 | 56,008 | - |
| Plant and machinery line I | 5.1.1 | 5,125,455 | 1,009,438* | - | UoP method | 117,630 | 2,289,602 | 2,841,250 |
| Plant and machinery line II | 5.1.1 | 3,722,459 | 27,007,819** | - | UoP method | 111,878 | 438,628 | 3,774,445 |
| Coal firing system | 5.1.1 | 371,888 | 455,413** | - | UoP method | 9,999 | 137,302 | 234,586 |
| Furniture and fixture | | 26,457 | 32 | (284) | 10 | (198) | 19,785 | 6,420 |
| Office equipment | | 17,724 | 581 | (669) | 10 | (626) | 10,649 | 6,987 |
| Computers and accessories | | 20,030 | 1,018 | (1,261) | 33 | (1,180) | 18,201 | 1,586 |
| Vehicles | | 32,643 | 2,091,026** | (5,325) | 20 | (3,582) 7,848** | 30,107 | 9,564 |
| | | 11,148,848 | 31,738,12,582* 465,675** | (7,539) | | 341,366 | 3,768,399 | 7,882,905 |
| Assets subject to finance lease | | | | | | | | |
| Plant and machinery line II | 5.1.1 | 1,248,992 | - | (455,413)** | UoP method | (5,586) 61,176** | 37,188 | 714,384 |
| Vehicles | | 10,262 | - | (10,262)** | 20 | (7,848)** | 512 | - |
| | | 1,259,254 | - | (465,675) | | | 37,700 | 79,195 |
| Total - 2010-11 | | 12,408,102 | 31,738,12,582* 465,675** | (7,539) (465,675)** | | (5,586) | 379,066 | 8,597,289 |

* Transferred from capital work-in-progress.
 ** Transferred from assets subject to finance lease.
 *** UoP stands for Units of Production.

5.1.1 Plant & Machinery and Coal firing system of the Company were first revalued in the financial year ended June 30, 2005 by M/s Sipra resulting in surplus of Rs.968.173 million over its written down value of Rs.3,032.848 million. The second revaluation, which also included 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 created a surplus of Rs.2,240.714 million over its written down value of Rs.7,156.572 million. During the year, third revaluation of freehold land, factory and office building and plant & machinery has been carried out by M/S Surval. This has resulted in a reduction in revaluation surplus amounting to Rs.162.539 million over the written down value of Rs.8,243.393 million. The values of the factory building and plant & machinery are being depreciated over the remaining useful lives of the assets from the date of revaluations.

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

| | 2012 | | 2011 |
|--|------------------|------------------|------------------|
| | Cost | Net book value | Net book value |
| Freehold land | 31,411 | 31,411 | 31,411 |
| Factory building | 1,328,034 | 563,459 | 630,208 |
| Plant and machinery - line I | 4,129,055 | 1,946,699 | 2,023,082 |
| Plant and machinery - line II including leased items | 3,242,949 | 2,777,627 | 2,861,112 |
| Coal firing system | 357,802 | 214,291 | 223,828 |
| | <u>9,089,251</u> | <u>5,533,487</u> | <u>5,769,641</u> |

5.1.3 Depreciation for the year has been allocated as follows:

| | Note | 2012 | 2011 |
|-------------------------|--------|----------------------------|----------------|
| | | ----- (Rs. in '000') ----- | |
| Cost of sales | 30 | 360,720 | 365,976 |
| Raw material consumed | 30.1.1 | - | 8,401 |
| Distribution cost | 31 | 1,908 | 2,422 |
| Administrative expenses | 32 | 4,052 | 2,267 |
| | | <u>366,680</u> | <u>379,066</u> |

5.1.4 The cost of operating fixed assets includes fully depreciated assets valuing of Rs.69.81 million (2011: Rs.63.826 million).

5.1.5 The following assets were disposed off during the year:

| Particulars | Cost | Accumulated depreciation | Written down value | Sales proceeds | Gain / (loss) | Disposal mode | Particulars of buyer |
|--|-------|--------------------------|--------------------|----------------|---------------|------------------------------|----------------------------|
| ----- (Rs. in '000') ----- | | | | | | | |
| Toyota Corolla | 893 | 804 | 89 | 132 | 43 | Company Policy | Mr. Ashraf-Ullah, employee |
| Toyota Corolla GLI | 990 | 875 | 116 | 145 | 29 | Company Policy | Major (R) Akram, employee |
| Aggregate amount of assets disposed off having book value less than Rs.50,000/- each | 7,422 | 7,188 | 234 | 3,287 | 3,053 | Negotiation & Company Policy | Various |
| 2012 | 9,305 | 8,866 | 439 | 3,564 | 3,125 | | |
| 2011 | 7,539 | 5,586 | 1,953 | 4,242 | 2,289 | | |

5.2 Capital work in progress

| | Opening balance | Additions | Transferred to operating fixed assets | Closing balance |
|------------------------------------|-----------------|-----------|---------------------------------------|-----------------|
| ----- (Rs. in '000') ----- | | | | |
| Plant and machinery extension 2012 | 15,685 | 10,618 | 17,103 | 9,200 |
| Plant and machinery extension 2011 | 3,917 | 25,074 | 13,306 | 15,685 |

6. INTANGIBLE ASSETS

| | COST | | Rate of Amortization | ACCUMULATED AMORTISATION | | | WRITTEN DOWN VALUE AS AT 30 JUNE 2012 |
|----------------------------|--------------------|--------------------|----------------------|--------------------------|---------------------------|--------------------|---------------------------------------|
| | As at 01 July 2011 | As at 30 June 2012 | | As at 01 July 2011 | Amortization for the year | As at 30 June 2012 | |
| ----- (Rs. in '000') ----- | | | | | | | |
| Computer softwares 2012 | 1,098 | - | 20% | 109 | 220 | 329 | 769 |
| Computer softwares 2011 | - | 1,098 | 20% | - | 109 | 109 | 989 |

| | | 2012 | 2011 |
|--|-----------|----------------------------|---------|
| | | ----- (Rs. in '000') ----- | |
| 7. LONG TERM LOANS – unsecured, considered good | Note | | |
| Executives | 7.1 & 7.2 | 2,972 | 4,995 |
| Employees | | - | 287 |
| | | 2,972 | 5,282 |
| Less: Current portion | 12 | (2,972) | (5,081) |
| | | - | 201 |

7.1 House building loans were secured against retirement benefits of respective executives. However outstanding amount is due from ex-GM SCM of the Company from which the probability of recovery is very low. These loans carry interest @ 5 percent (2011: 5 percent) per annum. However, no accrual of this interest has been made in these financial statements. Maximum aggregate amount due from executives at the end of any month during the year was Rs.5.275 million (2011: Rs.5.571 million).

| | | 2012 | 2011 |
|--|------|----------------------------|----------|
| | | ----- (Rs. in '000') ----- | |
| 7.2 A reconciliation of the house building loans to executives is as follows: | Note | | |
| Opening balance | | 4,995 | 4,995 |
| Additions | | - | - |
| Repayments | | (2,023) | - |
| Closing balance | | 2,972 | 4,995 |
| 8. LONG TERM DEPOSITS - considered good | | | |
| Security deposits | | | |
| - Utilities | | 35,741 | 35,741 |
| - Leasing companies | | 5,000 | 20,925 |
| - Others | | 2,551 | 2,339 |
| | | 43,292 | 59,005 |
| Less: Current portion - leasing companies | | (5,000) | (10,000) |
| | 8.1 | 38,292 | 49,005 |

8.1 These are non-interest bearing and cover for a term of over one year.

| | | 2012 | 2011 |
|------------|---|----------------------------|---------|
| | | ----- (Rs. in '000') ----- | |
| 9. | STORES, SPARE PARTS AND LOOSE TOOLS | | |
| | Stores | 502,201 | 120,399 |
| | Spare parts | 375,255 | 324,895 |
| | Loose tools | 6,214 | 6,324 |
| | | 883,670 | 451,618 |
| | In transit | | |
| | Coal | 204,389 | 187,392 |
| | Spare parts | 12,262 | 33,479 |
| | | 216,651 | 220,871 |
| | Provision for slow moving stores, spare parts and loose tools | (49,394) | - |
| | | 1,050,927 | 672,489 |
| 10. | STOCK IN TRADE | | |
| | Raw material | 8,538 | 6,851 |
| | Packing material | 35,281 | 30,740 |
| | Work in process | 333,691 | 76,138 |
| | Finished goods | 48,348 | 47,197 |
| | | 425,858 | 160,926 |
| 11. | TRADE DEBTS - unsecured, considered good | | |
| | Considered good | | |
| | | 11.1 | 21,762 |
| | Considered doubtful | 11.2 | 12,948 |
| | | | 21,475 |
| | | | - |
| | | | 21,475 |
| | Less: Provision for bad and doubtful debts | 11.3 | (6,474) |
| | | | - |
| | | | 28,236 |
| | | | 21,475 |

11.1 As at June 30, 2012, the age analysis of unimpaired past due trade debts is as follows:

| | Total | Neither past due nor impaired | Past due but not impaired | | | | | More than 2 years |
|------|----------------------------|-------------------------------|---------------------------|--------------|---------------|----------------|--------------|-------------------|
| | | | Less than 30 days | 30 - 90 days | 90 - 180 days | 180 - 365 days | 1 to 2 years | |
| | ----- (Rs. in '000') ----- | | | | | | | |
| 2012 | 21,762 | - | 21,371 | 6 | 21 | 357 | 7 | - |
| 2011 | 21,475 | - | 7,575 | 480 | 119 | 353 | 12,948 | - |

| | | 2012 | 2011 |
|--|------|----------------------------|---------------|
| | Note | ----- (Rs. in '000') ----- | |
| 11.2 Age analysis of impaired trade debts | | | |
| Not past due | | - | - |
| Past due 0 - 365 days | | - | - |
| 1 - 2 years | | - | - |
| More than 2 years | | 12,948 | - |
| | | <u>12,948</u> | <u>-</u> |
| 11.3 Provision for bad and doubtful debt | | | |
| Opening balance | | - | - |
| Provision for the year | | 6,474 | - |
| | | <u>6,474</u> | <u>-</u> |
| Reversals | | - | - |
| Closing balance | | <u>6,474</u> | <u>-</u> |
| 12. LOANS AND ADVANCES | | | |
| Loans - secured, considered doubtful | | | |
| Current portion of long term loans | 7 | 2,972 | 5,081 |
| Less: Provision for doubtful loan | | (2,972) | - |
| | | <u>-</u> | <u>5,081</u> |
| Advances - unsecured, considered good | | | |
| Executives | 12.1 | 368 | 100 |
| Employees | | 1,830 | 1,126 |
| Bank's margin against letter of credit | | 28,677 | 22,691 |
| Suppliers | | 18,012 | 12,713 |
| Contractors | | 433 | 8,959 |
| Service providers | | 5,114 | 8,788 |
| | 12.2 | <u>54,434</u> | <u>54,377</u> |
| | | <u>54,434</u> | <u>59,458</u> |

12.1 This represents advances to key management personnel only.

12.2 These are non interest bearing and are generally for terms not more than 12 months.

| | | 2012 | 2011 |
|---|------|----------------------------|--------|
| | | ----- (Rs. in '000') ----- | |
| 13. TRADE DEPOSIT AND SHORT TERM PREPAYMENTS | Note | | |
| Current portion of long term deposits | 8 | 5,000 | 10,000 |
| Trade deposits | | 9 | 13 |
| Margin against letter of guarantee | | 5,242 | 5,242 |
| Short term prepayments | | 334 | 330 |
| | | 5,585 | 5,585 |
| | 12.2 | 10,585 | 15,585 |
| 14. OTHER RECEIVABLES | | | |
| Receivable from WAPDA | 14.1 | 19,381 | 19,381 |
| Inland freight subsidy on exports | 14.2 | 589 | 3,314 |
| Rebate on export sales | | 3,232 | 5,812 |
| Due from Provident Fund | | 2,388 | - |
| Insurance claim | | - | 890 |
| Others | | 89 | 40 |
| | | 25,679 | 29,437 |

14.1 This 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.

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

| | | 2012 | 2011 |
|-----------------------------------|------|----------------------------|---------|
| | | ----- (Rs. in '000') ----- | |
| 15. CASH AND BANK BALANCES | Note | | |
| Cash in hand | | 2,074 | 2,211 |
| Cheques in hand | | 149,347 | 89,375 |
| | | 151,421 | 91,586 |
| Balance with banks in: | | | |
| - Current accounts | | 53,538 | 14,909 |
| - Saving accounts | 15.1 | 63,950 | 43,677 |
| | | 117,488 | 58,586 |
| | | 268,909 | 150,172 |

15.1 These carry profits at rates ranging from 5 percent to 7 percent (2011: 5 percent to 6 percent) per annum.

16. AUTHORIZED SHARE CAPITAL

| 2012 | | 2011 | | 2012 | 2011 |
|------------------------|----------------|-----------------------------------|--|------------------|------------------|
| No. of shares in '000' | | | | Rupees in '000' | |
| 300,000 | 300,000 | Ordinary shares of Rs.10/- each | | 3,000,000 | 3,000,000 |
| 50,000 | 50,000 | Preference shares of Rs.10/- each | | 500,000 | 500,000 |
| <u>350,000</u> | <u>350,000</u> | | | <u>3,500,000</u> | <u>3,500,000</u> |

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2012 | | 2011 | | 2012 | 2011 |
|------------------------|----------------|--|------|------------------|------------------|
| No. of shares in '000' | | | | Rupees in '000' | |
| 184,464 | 184,464 | Issued for cash ordinary shares of Rs.10/- each | | 1,844,642 | 1,844,642 |
| 23,223 | 23,223 | Issued for consideration other than cash: Ordinary shares of Rs.10/- each | 17.2 | 232,228 | 232,228 |
| 4,394 | 4,394 | Ordinary shares of Rs.10/- each | 17.3 | 43,937 | 43,937 |
| 27,617 | 27,617 | | | 276,165 | 276,165 |
| 15,068 | 15,068 | Issued as fully paid bonus shares Ordinary shares of Rs.10/- each | | 150,682 | 150,682 |
| <u>227,149</u> | <u>227,149</u> | | | <u>2,271,489</u> | <u>2,271,489</u> |

17.1 Vision Holding Middle East Limited (VHMEL) held 49.085 million (2011: 49.085 million) ordinary shares of Rs.10/- each as on the balance sheet date which is 21.6 percent (2011: 21.6 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. Subsequent to the balance sheet date, 56.274 million shares out of 57.774 million shares under the call-and-put option agreement have been transferred to VHMEL.

17.2 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.

17.3 During last 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.

| | 2012 | 2011 |
|--|----------------------------|------------------|
| | ----- (Rs. in '000') ----- | |
| 18. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax | | |
| Opening balance of surplus on revaluation of fixed assets | 2,802,396 | 2,897,553 |
| Deficit on revaluation carried out during the year | (162,540) | - |
| Transferred to un-appropriated profit in respect of incremental depreciation charged during the year | (93,082) | (95,157) |
| | 2,546,774 | 2,802,396 |
| Less: Deferred tax liability on: | | |
| Opening balance of revaluation | 743,619 | 776,924 |
| Increase in liability due to change in export to local sales fraction | 89,610 | - |
| Decrease in liability due to revaluation deficit | (43,236) | - |
| Incremental depreciation charges on related assets | (24,760) | (33,305) |
| | 765,233 | 743,619 |
| Closing balance of surplus on revaluation of fixed assets | 1,781,541 | 2,058,777 |

18.1 Includes surplus on revaluation of freehold land amounting to Rs.36.917 million (2011: Rs.29.325 million).

19. LONG TERM LOANS - secured

| | Note | Number | Commencing from | Rate of interest / markup | 2012 | 2011 |
|---|----------------------------|---------------|-----------------|-------------------------------|------------------|------------------|
| | ----- (Rs. in '000') ----- | | | | | |
| Foreign currency loans | | | | | | |
| Asian Development Bank (ADB) - Japanese Yen | 19.1 & 19.10 | 9 half yearly | 15/11/2006 | 1.3% above 6 months LIBOR | 1,016,947 | 916,701 |
| Asian Finance & Investment Corporation (AFIC) - US Dollars | 19.2 & 19.10 | 23 quarterly | 31/03/2007 | 2.5% above 6 months LIBOR | 305,944 | 279,473 |
| | | | | | 1,322,891 | 1,196,174 |
| Local currency loans | | | | | | |
| Bankers Equity Limited - Locally Manufactured Machinery (LMM) | 20.1 | 11 quarterly | 01/11/2010 | - | 38,182 | 76,364 |
| National Bank of Pakistan (NBP)* | 19.3 & 19.11 | 30 quarterly | 31/03/2006 | 0.5-1.5% above 3 months KIBOR | 159,001 | 222,601 |
| National Bank of Pakistan* (Former NDFC) | 19.4 & 19.11 | 30 quarterly | 31/03/2006 | 0.5-1.5% above 3 months KIBOR | 174,737 | 227,744 |
| Industrial Development Bank of Pakistan (IDBP) | 19.5 & 19.6 | 25 quarterly | 31/12/2006 | 8.62% | 15,823 | 18,461 |
| National Bank of Pakistan (NBP)* | 19.7 & 19.11 | 8 half yearly | 31/12/2008 | 0.5-1.5% above 6 months KIBOR | 312,500 | 312,500 |
| The Bank of Punjab (BoP) | 19.8 & 19.9 | 60 monthly | 01/07/2010 | 0.5-1.5% above 6 months KIBOR | 190,500 | 239,250 |
| | | | | | 890,743 | 1,096,920 |
| | | | | | 2,213,634 | 2,293,094 |
| Less: Current portion | 27 | | | | (2,097,906) | (1,924,175) |
| | | | | | 115,728 | 368,919 |

* signifies related party due to presence of creditor- director on the Company's Board.

- 19.1** 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.

Installments including liquidated damages and other charges have not been paid aggregating to Rs.1,393.348 million, which includes principal, markup and deferred charges amounting to Rs.1,016.947 million, Rs.154.526 million and Rs.221.874 million respectively. The Company is pursuing for restructuring of loan.

- 19.2** 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.312.676 million, which includes principal and markup amounting to Rs.274.368 million and Rs.38.307 million respectively. The Company is pursuing for restructuring of loan.

- 19.3** The loan is secured by an agreement of hypothecation, floating charge and personal guarantees of the sponsoring directors of the Company. However Subsequent to the balance sheet date, the personal guarantees of sponsoring directors were replaced with corporate guarantee.

- 19.4** 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.

- 19.5** 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 thousand Rupees 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.47.906 million as management has requested the Bank to service the frozen markup payments after full repayment of principal amount.

- 19.6** 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.

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

- 19.8** 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 registered with SECP, a letter of set off & letter of lien.
- 19.9** 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.
- 19.10** 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.
- 19.11** The restructuring agreement with the NBP has been finalized during last 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.

| | | 2012 | 2011 |
|------------|--|----------------------------|----------|
| | | ----- (Rs. in '000') ----- | |
| 20. | LONG TERM FINANCING - secured | | |
| | From banking companies and other financial institutions: | | |
| | Bankers Equity Limited (BEL) - under liquidation | | |
| | Term Finance Certificates (TFCs) | 20.1 | 71,296 |
| | Less: Current portion | 27 | (35,648) |
| | | - | 35,648 |

- 20.1** 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 2011, 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.

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represents finance lease agreements entered into with leasing companies for plant & machinery and vehicles. Total lease rentals due under various lease agreements aggregate to Rs.89,214 (2011: Rs.173,397) million and are payable in equal monthly 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 of approximately 14.01% percent to 17.78 percent (2011: 15.61 percent to 17.62 percent) per annum have been used as discounting factor. The break up of finance lease liability is as follows.

| | 2012 | | 2011 | |
|---|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Minimum lease payments (MLPs) | Present value of MLPs | Minimum lease payments (MLPs) | Present value of MLPs |
| | ----- (Rs. in '000') ----- | | | |
| Up to one year | 40,174 | 32,064 | 70,807 | 55,276 |
| One year to five years | 49,040 | 43,971 | 102,591 | 87,505 |
| | 89,214 | 76,035 | 173,398 | 142,781 |
| Less: Finance charges allocated to future periods | (13,179) | - | (30,617) | - |
| | 76,035 | 76,035 | 142,781 | 142,781 |
| Less: Current portion | (32,064) | (32,064) | (55,276) | (55,276) |
| | 43,971 | 43,971 | 87,505 | 87,505 |

| | Note | 2012 | 2011 |
|---|--------------------|----------------------------|-----------|
| | | ----- (Rs. in '000') ----- | |
| 22. DEFERRED LIABILITIES | | | |
| Deferred interest / mark up: | | | |
| Bankers Equity Limited - TFCs | 20.1 | 84,964 | 104,622 |
| Asian Development Bank | 19.1 | 221,875 | 200,003 |
| Bankers Equity Limited - LMM | 20.1 | 36,769 | 42,443 |
| National Bank of Pakistan (Former NDFC) | 22.1, 19.4 & 19.11 | 346,526 | 346,526 |
| Industrial Development Bank of Pakistan | 19.5 & 19.6 | 47,906 | 47,906 |
| | | 738,040 | 741,500 |
| Less: Current portion | 27 | (738,040) | (542,762) |
| | 22.2 | - | 198,738 |
| Gratuity - vested contractual employees | | 48,846 | 41,431 |
| Deferred tax liability | 22.3 | 487,193 | 183,734 |
| | | 536,039 | 423,903 |

22.1 It carries service fee at the rate of 2 percent (2011: 2 percent) per annum on the outstanding mark up as at 30 June 2003, payable in semi-annual installments till 30 June 2013.

22.2 The deferred interests / markups have not been discounted to their present value as currently, they have maturity of less than 12 months

| | | 2012 | 2011 |
|-------------|---|----------------------------|--------------------|
| | | ----- (Rs. in '000') ----- | |
| 22.3 | Deferred tax liability | | |
| | Credit balance arising due to: | | |
| | - accelerated tax depreciation | 1,180,568 | 1,149,318 |
| | - surplus on revaluation of fixed assets | 765,233 | 743,619 |
| | | <u>1,945,801</u> | <u>1,892,937</u> |
| | Debit balance arising due to: | | |
| | - available tax losses | (1,405,554) | (1,692,314) |
| | - employees benefits and others | (53,054) | (16,889) |
| | | <u>(1,458,608)</u> | <u>(1,709,203)</u> |
| | | <u>487,193</u> | <u>183,734</u> |
| 23. | LONG TERM DEPOSITS | | |
| | From employees | - | 277 |
| | From suppliers and distributors | 3,400 | 1,486 |
| | | <u>3,400</u> | <u>1,763</u> |
| 23.1 | These have been obtained under normal course of business. | | |
| 24. | TRADE AND OTHER PAYABLES | | |
| | Creditors | 272,343 | 195,509 |
| | Accrued expenses | 279,615 | 91,520 |
| | Advances from customers | 128,882 | 277,082 |
| | Retention money | 318 | 7,784 |
| | Payable to provident fund | - | 858 |
| | Deposits | 13,045 | 14,509 |
| | Excise duty payable on cement | 46,791 | 73,428 |
| | Royalty and excise duty | 1,762 | 2,361 |
| | Withholding tax | - | 2,298 |
| | Employees' compensated absences | 20,232 | 15,817 |
| | Workers profit participation fund | 48,650 | 3,857 |
| | Workers Welfare fund | 1,466 | 1,466 |
| | Unclaimed dividend | 3,064 | 3,072 |
| | | <u>816,168</u> | <u>689,561</u> |
| 24.1 | These are non-interest bearing and generally are of 30 to 90 days term. | | |
| 24.2 | Employees' compensated absences | | |
| | Opening balance | 15,817 | 16,596 |
| | Charge for the year | 9,373 | 6,013 |
| | | <u>25,190</u> | <u>22,609</u> |
| | Payment made during the year | (4,958) | (6,792) |
| | Closing balance | <u>20,232</u> | <u>15,817</u> |

| | 2012 | 2011 |
|---|----------------------------|-------|
| | ----- (Rs. in '000') ----- | |
| 24.3 Workers profit participation fund | | |
| Opening balance | 3,857 | - |
| Charge for the year | 48,650 | 3,857 |
| | 52,507 | 3,857 |
| Payment made during the year | (3,857) | - |
| Closing balance | 48,650 | 3,857 |

25. SHORT TERM MORABAHA - 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 up to December 31, 2012 under this limit. The profit (Markup) rate for this facility is 3 months KIBOR + 1.25%. Under the terms and conditions of the facility 15% cash margin held for the duration of LC will be used to retire the LC, while the bank will finance 85% of the LC amount at retirement. The facility is secured against pledge of imported coal with 15% margin.

| | | 2012 | 2011 |
|--|------|----------------------------|---------|
| | Note | ----- (Rs. in '000') ----- | |
| 26. SHORT TERM BORROWING - secured | | | |
| National Bank of Pakistan-Cash finance account | 26.1 | 20,776 | 374,464 |
| United Bank Limited-Running finance account | 26.2 | 101,332 | 186,097 |
| JS Bank-Finance against imported merchandise | 26.3 | 101,599 | - |
| | | 223,707 | 560,561 |

26.1 The cash finance facility is obtained from National Bank of Pakistan. The facility limit is Rs.500 million (2011: Rs.500 million) and it carries markup ranging between the rate of 3 month KIBOR plus 0.5 to 1.5 percent (2011: 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, 2012.

26.2 Represents short term finance facility limit up to Rs.160 million (2011:Rs.200 million) obtained from United Bank Limited. The facility carries markup rate of 1 month KIBOR plus 0.75 percent (2011: 1 month KIBOR plus 0.75%)per annum which shall be determined on daily product basis payable at the end of each quarter. The facility is secured against raking charge over future stocks and book debts of the Company with a margin of 33.33%. The facility expires on February 13, 2013.

26.3 The finance against imported merchandise (FIM) facility was obtained from JS Bank Limited carrying profit rate 1.50 percent above 3 months KIBOR. The facility is repayable up to September 2012 and is secured against imported merchandise with margin of 15%.

| | | 2012 | 2011 |
|---|------|----------------------------|-----------|
| | Note | ----- (Rs. in '000') ----- | |
| 27. CURRENT PORTION OF NON CURRENT LIABILITIES | | | |
| Long term loans | 19 | 2,097,906 | 1,924,175 |
| Long term financing | 20 | 35,648 | 35,648 |
| Liabilities against assets subject to finance lease | 21 | 32,064 | 55,276 |
| Deferred liabilities | 22 | 738,040 | 542,762 |
| | | 2,903,658 | 2,557,861 |

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 The issue pertaining to interpretation of sub-section (2) of section 4 of the Central Excise Act, 1944 (the "1944 Act") has been adjudicated by the Honorable Supreme Court of Pakistan vide judgment dated 15-02-2007 (the "Supreme Court Judgment") in appeal nos. 1388 and 1389 of 2002, 410 to 418 of 2005, 266, 267 & 395 of 2005 (the "Appeal"). By way of background it is pointed out that the controversy between the revenue and the assesses 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 has been decided in favor of the Company and same will be accounted for at the time of its realization.

28.1.2 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.

28.1.3 Demands of sales tax including additional tax and penalty on lime stone and clay amounting to Rs.4.518 million and Rs.8.292 million were raised by the Sales Tax Department. The case for Rs.4.518 million is pending in the Honorable Lahore High Court and 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.2.200 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.

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

- 28.1.5** The Collector of Sales Tax, Faisalabad disallowed input tax paid on machinery amounting to Rs.4.178 million vide sale tax order 57/2003 . The Company had deposited Rs.4.123 million and filed an appeal which is pending in the Honorable Lahore High Court. The management anticipates a favorable outcome of the case.
- 28.1.6** The Collector of Sales Tax, Faisalabad has raised a demand of Rs.17.202 million as sales tax on lime stone and clay for the period July 1999 to August 2000 and on account of non payment of sales tax on purchase of fixed assets. The case is pending in the Customs Appellate Tribunal, Lahore. The management anticipates a favorable outcome, hence no provision has been made in these financial statements.
- 28.1.7** 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.
- 28.1.8** 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 case has been decided in favor of the Company by the court and disposed off the petition in terms of judgment reported as 2010 PTD/1295 and 2010 PTD/2502 with the direction to petitioner to approach the Commissioner of Income Tax who shall decide the matter in the line with judgment as reported vide above PTDs.
- 28.1.9** 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.

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.

28.1.10 During the year, the Company has not acknowledged a liability amounting to Rs.12 million of Workers Welfare Fund in the light of the decision of Honorable High Court Lahore dated 24 August 2011 whereby the Honorable High Court Lahore has struck down amendments regarding Workers Welfare Fund Ordinance, 1971 through Finance Act 2006 and 2008 as being unconstitutional. However, the department has filed an appeal against the decision, which is still pending for adjudication.

28.2 Commitments

Commitments in respect of outstanding letters of credit amount to Rs.18.399 million (2011: Rs.53.857 million) and in respect of bank guarantee issued in favor of Faisalabad Electric Supply Corporation amounting to Rs.26.702 million (2011: Rs.26.702 million).

| | | 2012 | 2011 |
|--|-------|----------------------------|------------------|
| | | ----- (Rs. in '000') ----- | |
| 29. GROSS TURNOVER | Note | | |
| Local | | 7,241,654 | 5,974,308 |
| Export | | 803,898 | 967,314 |
| | | <u>8,045,552</u> | <u>6,941,622</u> |
| 30. COST OF SALES | | | |
| Raw material consumed | 30.1 | 313,134 | 286,960 |
| Packing material consumed | | 427,968 | 449,538 |
| Fuel and power | | 3,508,137 | 3,026,575 |
| Stores and spare parts consumed | | 190,355 | 141,171 |
| Salaries, wages and benefits | 30.2 | 229,717 | 200,296 |
| Travelling and conveyance | | 22,984 | 25,558 |
| Insurance | | 8,582 | 8,592 |
| Repairs and maintenance | | 37,260 | 32,807 |
| Communication | | - | 640 |
| Depreciation | 5.1.3 | 360,720 | 365,976 |
| Provisions for slow moving parts and loose tools | 9 | 49,394 | - |
| Other manufacturing expenses | | 10,620 | 12,876 |
| Total manufacturing cost | | 4,845,737 | 4,264,029 |
| Work in process | | | |
| Opening balance | | 76,138 | 86,901 |
| Closing balance | 10 | (333,691) | (76,138) |
| | | (257,553) | 10,763 |
| Cost of goods manufactured | | 4,901,318 | 4,561,752 |
| Finished goods | | | |
| Opening balance | | 47,197 | 16,607 |
| Closing balance | 10 | (48,348) | (47,197) |
| | | (1,151) | (30,590) |
| | | <u>4,900,167</u> | <u>4,531,162</u> |

| | | 2012 | 2011 |
|--|--------|----------------------------|--------------------|
| | Note | ----- (Rs. in '000') ----- | |
| 30.1 Raw material consumed | | | |
| Opening balance | | 6,851 | 18,700 |
| Quarrying / transportation / purchases and other overheads | 30.1.1 | 314,821 | 284,519 |
| Closing balance | | 321,672 (8,538) | 303,219 (6,851) |
| Duty drawback on exports | | 313,134 - | 296,368 (9,408) |
| | | <u>313,134</u> | <u>286,960</u> |

30.1.1 It includes depreciation amounting to Rs. Nil (2011: Rs. 8.401 million)

30.2 Includes employees' benefits as follows:

| | | | |
|---------------------------|--|---------------|---------------|
| Defined contribution plan | | 3,191 | 2,923 |
| Defined benefit plan | | 12,251 | 10,678 |
| Compensated absences | | 6,367 | 5,059 |
| | | <u>21,809</u> | <u>18,660</u> |

31. DISTRIBUTION COST

| | | | |
|----------------------------------|-------|---------------|----------------|
| Salaries, wages and benefits | 31.1 | 30,558 | 24,701 |
| Travelling and conveyance | | 679 | 388 |
| Vehicle running expenses | | 2,706 | 2,427 |
| Communication | | 1,319 | 1,179 |
| Printing and stationery | | 897 | 565 |
| Rent, rates and taxes | | 3,076 | 1,478 |
| Utilities | | 1,332 | 1,009 |
| Repairs and maintenance | | 1,318 | 1,275 |
| Legal and professional charges | | 10,104 | 6,926 |
| Insurance | | 318 | 296 |
| Fee and subscription | | 637 | 407 |
| Advertisements / sales promotion | | 1,206 | 3,071 |
| Freight and handling charges | 31.2 | 22,050 | 103,946 |
| Entertainment | | 692 | 486 |
| Depreciation | 5.1.3 | 1,908 | 2,422 |
| | | <u>78,800</u> | <u>150,576</u> |

31.1 Includes employees' benefits as follows:

| | | | |
|---------------------------|--|--------------|--------------|
| Defined contribution plan | | 1,049 | 949 |
| Compensated absences | | 1,160 | 579 |
| | | <u>2,209</u> | <u>1,528</u> |

31.2 It represents freight and handling charges against export sales.

| | | 2012 | 2011 |
|------------|--|----------------------------|---------------|
| | | ----- (Rs. in '000') ----- | |
| 32. | ADMINISTRATIVE EXPENSES | | |
| | | | |
| | Salaries, wages and benefits | 38,688 | 32,709 |
| | Travelling and conveyance | 1,728 | 1,022 |
| | Vehicle running expenses | 2,482 | 3,087 |
| | Communication | 937 | 985 |
| | Printing and stationery | 1,085 | 838 |
| | Rent, rates and taxes | 2,160 | 246 |
| | Utilities | 1,316 | 1,538 |
| | Repairs and maintenance | 1,344 | 1,217 |
| | Legal and professional charges | 3,391 | 4,216 |
| | Insurance | 337 | 309 |
| | Auditors' remuneration | 1,755 | 1,785 |
| | Fee and subscription | 1,400 | 1,664 |
| | Depreciation | 2,547 | 2,267 |
| | Amortization | 1,724 | 109 |
| | Entertainment | 249 | 301 |
| | Others | 764 | 28 |
| | | 61,907 | 52,321 |
| | | | |
| | 32.1 Includes employees' benefits as follows: | | |
| | | | |
| | Defined contribution plan | 1,175 | 1,371 |
| | Compensated absences | 1,846 | 376 |
| | | 3,021 | 1,747 |
| | | | |
| | 32.2 Auditors' remuneration | | |
| | | | |
| | Annual audit fee | 1,000 | 1,000 |
| | Fee for half yearly review | 400 | 400 |
| | Special certifications and other advisory services | 100 | 198 |
| | Out of pocket expenses | 255 | 187 |
| | | 1,755 | 1,785 |
| | | | |
| 33. | OTHER OPERATING INCOME | | |
| | | | |
| | Income from financial assets | | |
| | Profit on bank deposits | 8,477 | 1,863 |
| | Liabilities written back | 4,570 | - |
| | Income from non financial assets | | |
| | Scrap sales | 2,316 | 2,878 |
| | Gain on disposal of fixed assets | 3,125 | 2,289 |
| | Others | 1,771 | 13,167 |
| | | 20,259 | 20,197 |

| | 2012 | 2011 |
|--|----------------------------|-----------------|
| | ----- (Rs. in '000') ----- | |
| 34. OTHER OPERATING EXPENSES | | |
| Bad debts written off | - | 10,492 |
| Provision for doubtful debts and loans | 9,446 | - |
| Workers profit participation fund | 48,650 | 3,857 |
| Workers Welfare Fund | - | 1,466 |
| Others | 26 | 317 |
| | <u>58,122</u> | <u>16,132</u> |
| 35. FINANCE COST | | |
| Mark-up on: | | |
| Long term financing | - | 9,372 |
| Long term loans - local currency | 125,755 | 145,274 |
| Long term loans - foreign currency | 61,113 | 51,447 |
| Lease financing | 17,969 | 25,018 |
| | <u>204,837</u> | <u>231,111</u> |
| Profit on Morabaha finance | 27,476 | 22,725 |
| Markup on: | | |
| Short-term financing | 85,558 | 91,137 |
| Workers' Profit Participation Fund | 141 | - |
| | <u>85,699</u> | <u>91,137</u> |
| Fee, charges and commission | | |
| Service charges | 6,940 | 6,930 |
| Bank charges | 3,072 | 4,313 |
| Arrangement fee | - | 1,700 |
| | <u>10,012</u> | <u>12,943</u> |
| | <u>328,024</u> | <u>357,916</u> |
| 36. TAXATION | | |
| Current | 65,739 | 53,984 |
| Deferred | 257,084 | (102,810) |
| | <u>322,823</u> | <u>(48,826)</u> |

36.1 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.

| | 2012 | 2011 |
|---|---------|---------|
| 37. EARNINGS PER SHARE - BASIC AND DILUTED | | |
| There is no dilution effect on the basic earning per share of the Company, which is based on: | | |
| Profit after taxation (Rupees in '000) | 601,517 | 120,650 |
| Weighted average number of ordinary shares in issue ('000') | 227,149 | 224,952 |
| Earning per share - basic and diluted (Rupees) | 2.65 | 0.54 |

38. TRANSACTIONS WITH RELATED PARTIES

The related parties include major shareholders, entities having directors in common with the Company, directors, other key management personnel and employees benefit plans. 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:

| | 2012 | 2011 |
|--|----------------------------|--------|
| | ----- (Rs. in '000') ----- | |
| Entities having directors in common with the Company | | |
| First Dawood Investment Bank | | |
| Repayment of lease financing | - | 530 |
| Finance cost | - | 500 |
| BRR International Modaraba | | |
| Repayment of lease financing | - | 4,370 |
| Finance cost | - | - |
| Guardian Modaraba | | |
| Repayment of lease financing | - | 1,223 |
| Finance cost | - | 177 |
| Entities having nominee director on the Company | | |
| National Bank of Pakistan | | |
| Repayment of Loans | 116,607 | - |
| Finance cost | 128,354 | 36,160 |
| Shares issued | - | 45,093 |
| Staff retirement contribution plan | | |
| Contribution to staff provident fund | 5,415 | 5,243 |

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

The related party status of outstanding receivables and payables, if any, as at June 30, 2012 are disclosed in respective notes to the financial statements.

39. FINANCIAL RISKS AND MANAGEMENT OBJECTIVES

39.1 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2012.

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

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2012 and 2011 were as follows:

| | | 2012 | 2011 |
|---|------|----------------------------|-----------|
| | Note | ----- (Rs. in '000') ----- | |
| Long term loans | 19 | 115,728 | 368,919 |
| Long - term financing | 20 | - | 35,648 |
| Liabilities against assets subject to finance lease | 21 | 43,971 | 87,505 |
| Deferred liabilities | 22 | 48,846 | 240,169 |
| Trade and other payables | 24 | 816,168 | 689,561 |
| Accrued interest / markup | | 489,632 | 440,492 |
| Short term morabaha-secured | 25 | 43,853 | 124,954 |
| Short term borrowing-secured | 26 | 223,707 | 560,561 |
| Current portion of non - current liabilities | 27 | 2,903,658 | 2,557,861 |
| Total debts | | 4,685,563 | 5,105,670 |
| Less: Cash and bank balances | 15 | (268,909) | (150,172) |
| Net debts | | 4,416,654 | 4,955,498 |
| Total equity | | 3,136,464 | 2,466,625 |
| Total Capital | | 7,553,118 | 7,422,123 |
| Gearing ratio | | 58.47% | 66.77% |

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 minimize risk. The management of the Company continuing with operational and infrastructure rehabilitation program with the objective of converting and maintaining 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 some of the loans into equity.

39.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits. 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 30 June 2012 and 2011.

39.3 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 some of the long term loans into equity.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2012 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 |
|---|------------------|--------------------|----------------|----------------|-------------------|------------------|
| ----- (Rs. in '000') ----- | | | | | | |
| 30 June 2012 | | | | | | |
| Long term financing | - | 8,912 | 26,736 | - | - | 35,648 |
| Liabilities against assets subject to finance lease | 7,480 | 5,810 | 18,774 | 43,971 | - | 76,035 |
| Long term deposits | - | - | - | 3,400 | - | 3,400 |
| Deferred liabilities | 496,059 | 73,676 | 168,303 | 336,793 | 199,246 | 1,274,077 |
| Long term loans - secured | 1,788,686 | 75,879 | 233,341 | 115,729 | - | 2,213,635 |
| Trade and other payables | 3,064 | 792,554 | 318 | 20,232 | - | 816,168 |
| Accrued interest / mark up | - | 489,632 | - | - | - | 489,632 |
| Short term borrowings | - | 223,707 | - | - | - | 223,707 |
| Short-term Murabaha | - | - | 43,853 | - | - | 43,853 |
| | <u>2,295,289</u> | <u>1,670,170</u> | <u>491,325</u> | <u>520,125</u> | <u>199,246</u> | <u>5,176,155</u> |
| 30 June 2011 | | | | | | |
| Long term financing | - | 8,912 | 26,736 | 35,648 | - | 71,296 |
| Liabilities against assets subject to finance lease | 8,734 | 11,904 | 34,638 | 87,505 | - | 142,781 |
| Long term deposits | - | - | - | 1,763 | - | 1,763 |
| Deferred liabilities | 426,203 | 11,073 | 105,486 | 150,898 | 89,271 | 782,931 |
| Long term loans - secured | 1,520,910 | 9,545 | 393,720 | 368,919 | - | 2,293,094 |
| Trade and other payables | 91,521 | 489,627 | 30,326 | - | - | 611,474 |
| Accrued interest / mark up | - | 440,492 | - | - | - | 440,492 |
| Short term borrowings | - | 560,561 | - | - | - | 560,561 |
| Short-term Murabaha | - | - | 124,954 | - | - | 124,954 |
| | <u>2,047,368</u> | <u>1,532,114</u> | <u>715,860</u> | <u>644,733</u> | <u>89,271</u> | <u>5,029,346</u> |

39.4 Yield / markup rate

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

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

39.5 Interest rate sensitivity

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

| | Increase / decrease basis points | Effect on profit before tax |
|-----------|--|-----------------------------------|
| | ----- (Rs. in '000') ----- | |
| 2012 | | |
| Pak Rupee | +100 | (30,087) |
| Pak Rupee | -100 | 30,087 |
| 2011 | | |
| Pak Rupee | +100 | (30,504) |
| Pak Rupee | -100 | 30,504 |

39.6 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts, loans and advances, other receivables and bank balances aggregating to Rs 275.369 million (2011: Rs.218.122 million). The Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy.

| | 2012 | 2011 |
|--------------------|----------------------------|--------|
| | ----- (Rs. in '000') ----- | |
| Long-term deposits | 38,292 | 49,005 |
| Trade debts | 28,236 | 21,475 |
| Advances | 54,434 | 54,377 |
| Other receivables | 6,298 | 29,437 |
| Bank balances | 117,488 | 58,586 |

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:

| Rating | | 2012 | 2011 |
|-------------------|---------------|----------------------------|---------------|
| | | ----- (Rs. in '000') ----- | |
| Short Term | Agency | | |
| A1+ | PACRA | 103,084 | 38,445 |
| A1 | PACRA | 933 | 20,041 |
| A2 | PACRA | - | 100 |
| A-1+ | JCR-VIS | 13,369 | - |
| Unrated | | 102 | - |
| | | <u>117,488</u> | <u>58,586</u> |

39.7 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.1,322.891 million (2011: Rs.1,196.174 million) as disclosed in note 19 to these financial statements and interest payable on foreign currency loans amounting to Rs.423.850 million (2011: Rs.331.853). 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, 2012:

| | 2012 | | 2011 | |
|---|----------------------------|--------------|------------|--------------|
| | US Dollars | Japanese Yen | US Dollars | Japanese Yen |
| | ----- (Rs. in '000') ----- | | | |
| Foreign currency denominated monetary assets | - | - | - | - |
| Foreign currency denominated monetary liabilities | 3,691 | 1,178,806 | 3,553 | 1,142,441 |

| | Increase/ decrease in US dollars to Pak Rupee | Increase/ decrease in Japanese Yen to Pak Rupee | Effect on profit / (loss) before tax |
|------|--|--|--|
| | (Rs. in '000') | | |
| 2012 | +5% | +5% | (86,934) |
| | -5% | -5% | 86,934 |
| 2011 | +5% | +5% | (76,401) |
| | -5% | -5% | 76,401 |

39.8 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.

39.9 Fair value of financial instruments

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

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

39.10 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012 Company held no financial assets and liabilities that are measured at fair value or when value change from carrying value as a resulting remeasurement.

39.11 Financial instruments by categories

| | 2012 | | | | Total |
|--|----------------------------|--------------------|--------------------|------------------|---------|
| | Cash and cash equivalents | Loans and advances | Available for sale | Held for trading | |
| | ----- (Rs. in '000') ----- | | | | |
| Assets as per balance sheet | | | | | |
| Long term loans | - | - | - | - | - |
| Long term deposits | - | 38,292 | - | - | 38,292 |
| Trade debts - unsecured, considered good | - | 28,236 | - | - | 28,236 |
| Loans and advances | - | 54,434 | - | - | 54,434 |
| Trade deposit and prepayments | - | 10,585 | - | - | 10,585 |
| Other receivables | - | 25,679 | - | - | 25,679 |
| Cash and bank balances | 268,909 | - | - | - | 268,909 |
| | 268,909 | 157,226 | - | - | 426,135 |

| | 2011 | | | | Total |
|--|----------------------------|--------------------|--------------------|------------------|---------|
| | Cash and cash equivalents | Loans and advances | Available for sale | Held for trading | |
| | ----- (Rs. in '000') ----- | | | | |
| Assets as per balance sheet | | | | | |
| Long term loans | - | 201 | - | - | 201 |
| Long term deposits | - | 49,005 | - | - | 49,005 |
| Trade debts - unsecured, considered good | - | 21,475 | - | - | 21,475 |
| Loans and advances | - | 59,458 | - | - | 59,458 |
| Trade deposit and prepayments | - | 15,585 | - | - | 15,585 |
| Other receivables | - | 29,437 | - | - | 29,437 |
| Cash and bank balances | 150,172 | - | - | - | 150,172 |
| | 150,172 | 175,161 | - | - | 325,333 |

| | Amortized cost | |
|---|----------------------------|-----------|
| | 2012 | 2011 |
| | ----- (Rs. in '000') ----- | |
| Financial liabilities as per balance sheet | | |
| Long term loans - secured | 115,728 | 368,919 |
| Long term financing - secured | - | 35,648 |
| Liabilities against assets subject to finance lease | 43,971 | 87,505 |
| Deferred liabilities | 536,039 | 423,903 |
| Trade and other payables | 816,168 | 689,561 |
| Accrued interest / mark up | 489,632 | 440,492 |
| Short term morabaha-secured | 43,853 | 124,954 |
| Short term borrowing-secured | 223,707 | 560,561 |
| | 2,269,098 | 2,731,543 |

40. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

| | Chief executive officer | | Executives | |
|--------------------------------------|-------------------------|-------|------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| Total number | 1 | 1 | 23 | 20 |
| ----- (Rs. in '000') ----- | | | | |
| Basic Salary | 4,227 | 3,372 | 21,107 | 16,661 |
| Contribution to provident fund trust | 421 | 337 | 1,479 | 1,327 |
| Contribution to gratuity | - | - | - | - |
| Allowances & benefits | | | | |
| House Rent | 1,902 | 1,518 | 9,498 | 7,497 |
| Utilities | 423 | 337 | 2,111 | 1,666 |
| Others | 1,929 | 1,296 | 11,998 | 7,762 |
| | 8,902 | 6,860 | 46,193 | 34,913 |

40.1 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.

40.2 No remuneration is paid / payable to the directors of the Company except meeting fee which is paid at the rate of Rs.5,000 per meeting.

| | 2012 | 2011 |
|--|----------------------------|---------|
| | ----- (Rs. in '000') ----- | |
| 41. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 924,340 | 71,824 |
| Adjustments for non cash and other items: | | |
| Depreciation | 366,680 | 379,066 |
| Amortization of leasehold intangibles | 220 | 109 |
| Provision for doubtful debts | 9,446 | - |
| Provision for compensated absences and gratuity | 21,624 | 16,691 |
| Finance cost | 328,024 | 357,916 |
| Gain on disposal of property, plant and equipment | (3,125) | (2,289) |
| Workers' profit participation fund | 48,650 | 3,857 |
| Workers' welfare fund | - | 1,466 |
| Provision for slow moving of stores, spare parts and loose tools | 49,394 | - |
| Liabilities written back | (4,570) | - |
| Bad debts written off | - | 10,492 |
| Exchange loss - unrealized | 158,243 | 114,895 |
| | 974,586 | 882,203 |
| Cash flows before working capital changes | 1,898,926 | 954,027 |

| | 2012 | 2011 |
|--|----------------------------|----------------|
| | ----- (Rs. in '000') ----- | |
| Movement in working capital (Increase)/ decrease in current assets: | | |
| Stores, spare parts and loose tools | (427,832) | 260,472 |
| Stock in trade | (264,932) | (28,854) |
| Trade debts | (13,235) | 4,976 |
| Loans and advances | 2,052 | (10,939) |
| Deposit and prepayments | 5,000 | 17 |
| Other receivables | 3,561 | (8,593) |
| | (695,386) | 217,079 |
| Increase / (Decrease) in current liabilities: | | |
| Trade and other payables | 81,977 | (222,637) |
| Sales tax payable | (14,431) | 9,178 |
| | 67,546 | (213,459) |
| | (627,840) | 3,620 |
| | <u>1,271,086</u> | <u>957,647</u> |

| | 2012 | 2011 |
|--------------------------------|-------------------------|------------------|
| | ----- Metric tons ----- | |
| 42. PRODUCTION CAPACITY | | |
| Rated capacity - clinker | | |
| - Line I (after optimization) | 705,000 | 705,000 |
| - Line II | 1,290,000 | 1,290,000 |
| | <u>1,995,000</u> | <u>1,995,000</u> |
| Actual production - clinker | | |
| - Line I | 424,113 | 419,679 |
| - Line II | 754,928 | 769,619 |
| | <u>1,179,041</u> | <u>1,189,298</u> |
| Sales - cement | | |
| - Local | 988,521 | 1,003,048 |
| - Exports | 190,984 | 272,925 |
| | <u>1,179,505</u> | <u>1,275,973</u> |
| Sales - clinker - export | 8,872 | 2,490 |
| | <u>1,188,377</u> | <u>1,278,463</u> |

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company for issue on November 07, 2012.

44. CORRESPONDING FIGURES

Certain immaterial prior year's figures have been reclassified, consequent upon certain changes in current year's presentation for more appropriate comparison and better presentation. However, no material reclassification has been made in these financial statements.

45. GENERAL

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



Syed Mazher Iqbal
Chief Executive Officer



Shaafuddin Ghani Khan
Chairman / Director

Pattern of Shareholding

As at June 30, 2012

| Number of Shareholders | Number of Shares | | Total Shares Held | Percentage |
|------------------------|------------------|----------|-------------------|------------|
| | From | To | | |
| 1788 | 1 | 100 | 55813 | 0.02 |
| 1937 | 101 | 500 | 477480 | 0.21 |
| 1517 | 501 | 1000 | 1104404 | 0.49 |
| 1581 | 1001 | 5000 | 3408842 | 1.50 |
| 266 | 5001 | 10000 | 1936239 | 0.85 |
| 99 | 10001 | 15000 | 1235538 | 0.54 |
| 45 | 15001 | 20000 | 798649 | 0.35 |
| 29 | 20001 | 25000 | 676792 | 0.30 |
| 20 | 25001 | 30000 | 559366 | 0.25 |
| 13 | 30001 | 35000 | 430128 | 0.19 |
| 11 | 35001 | 40000 | 414636 | 0.18 |
| 4 | 40001 | 45000 | 178664 | 0.08 |
| 5 | 45001 | 50000 | 242546 | 0.11 |
| 3 | 50001 | 55000 | 152175 | 0.07 |
| 4 | 55001 | 60000 | 233478 | 0.10 |
| 2 | 60001 | 65000 | 129469 | 0.06 |
| 2 | 65001 | 70000 | 135500 | 0.06 |
| 5 | 70001 | 75000 | 368539 | 0.16 |
| 6 | 75001 | 80000 | 466032 | 0.21 |
| 2 | 80001 | 85000 | 162064 | 0.07 |
| 1 | 85001 | 90000 | 86626 | 0.04 |
| 3 | 90001 | 95000 | 278258 | 0.12 |
| 5 | 95001 | 100000 | 489368 | 0.22 |
| 2 | 100001 | 105000 | 202472 | 0.09 |
| 2 | 105001 | 110000 | 215193 | 0.09 |
| 1 | 110001 | 115000 | 111146 | 0.05 |
| 2 | 115001 | 120000 | 236698 | 0.10 |
| 2 | 120001 | 125000 | 242795 | 0.11 |
| 1 | 145001 | 150000 | 150000 | 0.07 |
| 1 | 155001 | 160000 | 156662 | 0.07 |
| 1 | 165001 | 170000 | 170000 | 0.07 |
| 1 | 175001 | 180000 | 176500 | 0.08 |
| 1 | 190001 | 195000 | 192368 | 0.08 |
| 3 | 195001 | 200000 | 600000 | 0.26 |
| 1 | 200001 | 205000 | 201259 | 0.09 |
| 1 | 210001 | 215000 | 211682 | 0.09 |
| 2 | 220001 | 225000 | 449560 | 0.20 |
| 1 | 225001 | 230000 | 226389 | 0.10 |
| 1 | 245001 | 250000 | 250000 | 0.11 |
| 1 | 285001 | 290000 | 286755 | 0.13 |
| 1 | 305001 | 310000 | 308134 | 0.14 |
| 1 | 320001 | 325000 | 322353 | 0.14 |
| 1 | 345001 | 350000 | 347500 | 0.15 |
| 1 | 350001 | 355000 | 354911 | 0.16 |
| 1 | 360001 | 365000 | 365000 | 0.16 |
| 1 | 405001 | 410000 | 408700 | 0.18 |
| 1 | 465001 | 470000 | 469000 | 0.21 |
| 2 | 575001 | 580000 | 1150597 | 0.51 |
| 1 | 595001 | 600000 | 597640 | 0.26 |
| 1 | 635001 | 640000 | 637985 | 0.28 |
| 2 | 740001 | 745000 | 1489000 | 0.66 |
| 1 | 865001 | 870000 | 870000 | 0.38 |
| 1 | 1015001 | 1020000 | 1019000 | 0.45 |
| 1 | 1170001 | 1175000 | 1175000 | 0.52 |
| 1 | 1175001 | 1180000 | 1176714 | 0.52 |
| 1 | 1285001 | 1290000 | 1286444 | 0.57 |
| 1 | 1300001 | 1305000 | 1304000 | 0.57 |
| 1 | 1385001 | 1390000 | 1387503 | 0.61 |
| 1 | 1635001 | 1640000 | 1636500 | 0.72 |
| 1 | 2110001 | 2115000 | 2113935 | 0.93 |
| 1 | 3495001 | 3500000 | 3500000 | 1.54 |
| 1 | 3825001 | 3830000 | 3826151 | 1.68 |
| 1 | 6005001 | 6010000 | 6010000 | 2.65 |
| 1 | 7955001 | 7960000 | 7959707 | 3.50 |
| 1 | 8530001 | 8535000 | 8531583 | 3.76 |
| 1 | 8980001 | 8985000 | 8981643 | 3.95 |
| 1 | 13870001 | 13875000 | 13871633 | 6.11 |
| 1 | 15795001 | 15800000 | 15800000 | 6.96 |
| 1 | 23400001 | 23405000 | 23403750 | 10.30 |
| 1 | 23430001 | 23435000 | 23430453 | 10.32 |
| 1 | 26225001 | 26230000 | 26229000 | 11.55 |
| 1 | 49080001 | 49085000 | 49084872 | 21.61 |
| 7406 | | | 227148793 | 100.00 |

Categories of Shareholders / Shares held percentage

As at June 30, 2012

| Categories of Shareholders | Shares Held | Percentage |
|---|-------------|------------|
| Directors, Chief Executive Officer, and their spouse and minor children | 24,050,773 | 10.59 |
| Associated Companies, undertakings and related parties | 3,826,151 | 1.68 |
| NTI | 1,319,189 | 0.58 |
| ICP | 38,200 | 0.02 |
| Banks Development Financial Inst. Non Banking Financial Institutions | 11,762,620 | 5.18 |
| Insurance Companies | 11,178 | 0.00 |
| Modarabas and Mutual Funds | 408,700 | 0.18 |
| Share holders holding 10% | | |
| Vision Holdings Middle East Ltd. | 49,084,872 | 21.61 |
| Malik Manzoor Hayat Noon | 39,230,453 | 17.27 |
| National Bank of Pakistan | 27,526,759 | 12.12 |
| Mr. Cevdet Dal | 24,001,390 | 10.57 |
| General Public | | |
| a: Local | 31,301,889 | 13.78 |
| b: Foreign | 70,707 | 0.03 |
| Others | | |
| Joint Stock Companies / Cooperative Societies / Trusts / Govt. Institutions | 38,517,302 | 16.96 |

Other Information

As at June 30, 2012

Aggregate number of shares held by:

| | |
|--|-----------|
| i) Associated companies, undertakings and related parties | |
| Noon Sugar Mills Limited | 3,826,151 |
| ii) Mutual Funds | |
| MCBFSL - Trustee Namco Balanced Fund | 408,700 |

iii) Directors / CEO and their spouse and minor children

| Name | Ownself | Spouse | Minor Children |
|----------------------------|------------|--------|----------------|
| Mr. Asif H. Bukhari | 3,000 | NIL | NIL |
| Syed Mazher Iqbal | NIL | NIL | NIL |
| Mr. Shafiuddin Ghani Khan | 100 | NIL | NIL |
| Mr. Mohammad Aftab Alam | 100 | NIL | NIL |
| Syed Anwer Ali | 100 | NIL | NIL |
| Mr. Cevdet Dal | 24,001,390 | NIL | NIL |
| Mr. Shazib Masud | 500 | NIL | NIL |
| Mr. Saleem Shahzada | 26,243 | NIL | NIL |
| Mr. Rafique Dawood (FDDBL) | 19,340 | NIL | NIL |
| Mr. Javed Haider (NBP) | NIL | NIL | NIL |

iv) **Executives** 115,235

v) **Public sector companies and corporations** NIL

vi) **Banks, development finance institutions, non-banking finance institutions, insurance companies, takaful, modarabas and pension funds** 11,773,798

vii) Shareholders holding 5% or more shares

| | |
|-------------------------------------|------------|
| Vision Holdings Middle East Limited | 49,084,872 |
| Manzoor Hayat Noon (Deceased) | 39,230,453 |
| National Bank of Pakistan | 27,526,759 |
| Mr. Cevdet Dal | 24,001,390 |
| First Pakistan Securities Limited | 13,871,633 |

viii) **Trading in the shares by the Directors, CEO, CFO and Company Secretary during the year** NIL

Proxy Form

Pioneer Cement Limited

Registered Folio No./
CDC P/Id & A/C No. _____

I/We _____
Name

of _____
Address

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, at the 26th Annual General Meeting of the Company to be held on Friday, November 30, 2012 at 11:30 a.m. at 135 Ferozpur Road, Lahore and at any adjournment thereof.

As witness my hand this _____ day of _____ 2012.

WITNESSES

1 Name _____

Address _____

CNIC # _____

2 Name _____

Address _____

CNIC # _____

Signature of the Shareholder/ Appointer

Revenue
Stamp

NOTE: Proxies in order to be effective must reach 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. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC.



Pioneer Cement Limited

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