



PIONEER
CEMENT LTD.

Enduring Strength

QUARTERLY ACCOUNTS



FOR THE PERIOD ENDED SEPTEMBER 30, 2009

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Corporate Information

Board of Directors

Syed Mazher Iqbal
Executive Director

Chairman

Mr. Manzoor Hayat Noon

Mr. Hyder Zaman Akhuzada
Director (Operations)

Managing Director & CEO

Mr. Javed Ali Khan

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

Directors

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

Mr. Muhammed Nadeem Malik
General Manager (Marketing Sales)

Statutory Auditors

Ernst & Young Ford Rhodes Sidat Hyder

Cost Auditors

Siddiqui & Co.

Legal Advisors

Hassan & Hassan
Sayeed & Sayeed

Bankers

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

Audit Committee

Chairman

Mr. Rafique Dawood (FDIB)

Members

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

Chief Financial Officer

Mr. Muhammad Saleem

Company Secretary

Syed Anwar Ali

Internal Auditor

Mr. Muhammad Zafar Qidwai

Senior Management

Mr. Javed Ali Khan
Managing Director & CEO

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FACTORY

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Punjab, Pakistan.
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Fax (0454) 720832
Email: factory@pioneercement.com

Directors' Report to the Members

On behalf of the Board of Directors of your Company, I would like to present the financial statements for the 1st quarter ended September 30, 2009.

During the quarter under review, Company was able to sell 280,155 tons of cement in the local market as compared to 253,167 tons in the corresponding period last year, an increase of 11%. However, the increase in sales have been more than offset by a massive decline of 27% in average sale prices during the quarter under review compared to same period last year. The average net retention price during corresponding quarter last year was Rs.4,405 per ton which declined to average Rs.3,212 per ton during the quarter under review. The declining trend in sales prices resulted in the lowest average retention price of Rs 2,865 in the last month of the quarter under review.

The Company exported 35,720 tons of cement and 240 tons of clinker, aggregating modest exports of 35,960 tons, compared to 141,373 tons in same period last year. The sizeable decrease of 75% in exports is attributable to higher export charges, mainly transportation and declining trend in cement prices in the international market.

Your Company was able to produce 283,439 tons of clinker and 317,775 tons of cement during period under review as compared to 400,076 tons of clinker and 313,454 tons of cement in the corresponding quarter of last year. This reflects a decrease of 29% in clinker production and a modest increase of 1% in cement production vs. same period last year.

The unhealthy and fierce competition among cement manufacturers causing steep decline in sale prices together with increase in transportation charges resulted in lower margins and declining profitability. The Company earned a gross profit of Rs.115 million only as compared to Rs 454 million in the same quarter last year, a significant decline of 74%. Moreover, depreciation of Pak Rupee against US\$ and Japanese Yen resulted in an exchange loss of Rs. 93 million during period under review, adversely affecting profit before tax. However, the deferred tax reversal mitigated after tax loss of Rs 133 million to Rs 67 million for the quarter under review.

Recently, National Bank of Pakistan approved the restructuring package for the financing facilities extended to the Company and agreed to convert the sizeable portion of loans into ordinary and preference shares and has also approved some moratorium in the repayment schedule. This will provide a cash breather and will also have a positive impact on Company's current and debt equity ratios. However, effect of this restructuring has not been incorporated in these accounts due to some pending legal formalities. Once such legal formalities are complied the restructuring of loans will be reflected in the half yearly accounts.

The Company has also approached the Bank of Punjab and Asian Development Bank for re-profiling of the financing facilities from these institutions. A favorable outcome of these negotiations will further improve the Company's Balance Sheet.

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

We also acknowledge the dedication of our employees for putting in their best efforts in these difficult times in cement industry.

Interim Condensed Balance Sheet

as at September 30, 2009

	Note	September 30, 2009 (Un-audited) Rupees in '000'	June 30, 2009 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	9,160,058	9,254,674
Long term loans-Secured		7,413	7,563
Long term deposits		64,920	64,920
		<u>9,232,391</u>	<u>9,327,157</u>
CURRENT ASSETS			
Stores, spares and loose tools		497,733	506,050
Stock-in-trade		146,376	146,066
Trade debts - unsecured, considered good		45,364	37,402
Loans and advances		15,546	25,202
Deposits and prepayments		404	613
Other receivables		19,401	19,382
Current portion of long term deposits		44,146	45,517
Taxation-net		79,202	81,043
Cash and bank balances		80,368	159,302
		<u>928,540</u>	<u>1,020,577</u>
TOTAL ASSETS		<u>10,160,931</u>	<u>10,347,734</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		2,500,000	2,500,000
Issued, subscribed and paid-up capital		1,995,324	1,995,324
Reserves		352,894	405,217
		<u>2,348,218</u>	<u>2,400,541</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		2,186,018	2,180,889
NON-CURRENT LIABILITIES			
Long term financing		35,365	41,191
Liabilities against assets subject to finance lease		214,286	215,480
Long term deposits		1,078	1,068
Long term creditor		8,731	8,731
Deferred liabilities		813,710	923,120
Long term loans		1,049,075	1,087,583
		<u>2,122,245</u>	<u>2,277,173</u>
CURRENT LIABILITIES			
Trade and other payables		541,141	629,132
Interest / markup accrued		308,620	226,748
Short term finances		524,929	524,929
Current portion of long term liabilities		2,110,830	2,069,927
Sales tax payable		18,930	38,395
		<u>3,504,450</u>	<u>3,489,131</u>
CONTINGENCIES AND COMMITMENTS	5	-	-
TOTAL EQUITY AND LIABILITIES		<u>10,160,931</u>	<u>10,347,734</u>

The accounting policies and explanatory notes form an integral part of these financial statements.


JAVED ALKHAN
 Chief Executive


RAFIQUE DAWOOD
 Director

Interim Condensed Profit and Loss Account for the quarter ended September 30, 2009 (Un-audited)

		September 30, 2009	September 30, 2008
	Note	Rupees in '000'	
Gross turnover		1,423,496	2,179,602
Excise duty		(205,170)	(239,237)
Sales tax		(176,366)	(216,251)
Commission		(7,685)	(11,381)
		(389,221)	(466,869)
Net turnover		1,034,275	1,712,733
Cost of sales	6	918,841	1,258,716
Gross profit		115,434	454,017
Distribution costs	7	(33,725)	(218,485)
Administrative expenses		(18,012)	(23,857)
Other operating income		2,932	512
		66,629	212,187
Other operating expenses	8	(92,695)	(144,393)
Finance cost		(106,452)	(110,928)
		(199,147)	(255,321)
Loss before taxation		(132,518)	(43,134)
Taxation - net		65,303	59,882
(Loss)/Profit after taxation		(67,215)	16,748
		(Rupees)	(Rupees)
Basic and diluted (loss)/earnings per share	10	(0.34)	0.08

The accounting policies and explanatory notes form an integral part of these financial statements.


JAVED ALI KHAN
Chief Executive


RAFIQUE DAWOOD
Director

Interim Condensed Cash Flow Statement for the quarter ended September 30, 2009 (Un-audited)

	Note	September 30, 2009 Rupees in '000'	September 30, 2008
CASH FLOW FROM OPERATING ACTIVITIES	9	77,313	264,601
Income tax paid		(4,375)	(25,812)
Compensated absences paid		(602)	(15,341)
Decrease in long term loans		151	334
Increase in long term deposits - net		1,380	77
		<u>(3,446)</u>	<u>(40,742)</u>
Net cash inflow from operating activities		73,867	223,859
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(15,178)	(21,526)
Proceeds from sale of fixed assets		1,535	70
Net cash used in investing activities		(13,643)	(21,456)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loans		(30,414)	(73,123)
Repayment of long term finance		-	(4,657)
Repayments against leasing liabilities		(72,078)	(58,763)
Short term borrowings		-	(3,896)
Finance cost paid		(36,666)	(149,612)
Dividend paid		-	(55)
Net cash inflow used in financing activities		(139,158)	(290,106)
Net decrease in cash and bank balances		(78,934)	(87,703)
Cash and bank balances at the beginning of the year		159,302	92,297
Cash and bank balances at the end of the period		80,368	4,594
The annexed notes form an integral part of these financial statements.			
Cash and bank balances		80,368	32,048
Book overdraft		-	(27,454)
		<u>80,368</u>	<u>4,594</u>


JAVED ALKHAN
 Chief Executive


RAFIQUE DAWOOD
 Director

Interim Condensed Statement of Changes in Equity for the quarter ended September 30, 2009 (Un-audited)

	Issued subscribed and paid-up capital	Capital reserve Share premium	Revenue reserve Accumulated profit	Total reserves	Total equity
Rupees in "000"					
Balance as at June 30, 2008	1,995,324	59,435	250,701	310,136	2,305,460
Profit for the period	-	-	16,748	16,748	16,748
Surplus on revaluation of fixed assets realized through incremental depreciation charges on related assets for the period-net of tax	-	-	17,881	17,881	17,881
Balance as at September 30, 2008	1,995,324	59,435	285,330	344,765	2,340,089
Balance as at June 30, 2009	1,995,324	59,435	345,782	405,217	2,400,541
Loss for the period	-	-	(67,215)	(67,215)	(67,215)
Surplus on revaluation of fixed assets realized through incremental depreciation charges on related assets for the quarter-net of tax	-	-	14,892	14,892	14,892
Balance as at September 30, 2009	1,995,324	59,435	293,459	352,894	2,348,218

The accounting policies and explanatory notes form an integral part of these financial statements.


JAVED ALKHAN
Chief Executive


RAFIQUE DAWOOD
Director

Notes to the Interim Condensed Financial Statements for the quarter ended September 30, 2009 (Un-audited)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1. 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 registered office of the company is situated at 1st floor, Alfalah building Shahrah-e-Quaid-e-Azam, Lahore. The principal activity of the Company is manufacturing and sale of cement.
- 1.2. The Company commenced its operation with an installed capacity of 2000 tons per day clinker. During 2005, the capacity was optimized to 2,350 tons per day. During the year ended June 30, 2006, another production line of 4,300 tons per day clinker capacity was completed which started commercial operations from April 2006.
- 1.3. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to neighboring countries and curtailing financing cost by converting loan into equity.

2. BASIS OF PREPARATION

These unaudited financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 (the Ordinance) and have been prepared in accordance with the requirements of the International Accounting Standard "34 Interim Financial reporting" as applicable in Pakistan. These financial statements should be read in conjunction with the published financial statements of the Company for the year ended June 30, 2009.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2009.

Notes to the Interim Condensed Financial Statements for the quarter ended September 30, 2009 (Un-audited)

	Note	September 30, 2009 (Un-audited) Rupees in '000'	June 30, 2009 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	9,156,405	9,253,929
Capital Work in progress	4.2	3,653	745
		<u>9,160,058</u>	<u>9,254,674</u>
4.1 Operating fixed assets			
Opening book value		9,253,928	9,508,720
Additions			
Factory buildings		-	114,087
Plant and machinery		9,909	12,881
Furniture and fixtures		184	515
Office and other equipments		75	-
Computers and accessories		316	951
Vehicles		1,786	1,905
		<u>12,270</u>	<u>130,339</u>
Deletion during the period (at book value)		<u>(1,578)</u>	<u>(4,812)</u>
Depreciation charged during the period		<u>(108,215)</u>	<u>(380,318)</u>
		<u>(109,793)</u>	<u>(385,130)</u>
		<u>9,156,405</u>	<u>9,253,929</u>
4.2 Capital Work in Progress			
Opening balance		745	62,145
Additions			
Factory buildings		2,658	2,603
Plant and machinery		250	50,665
		<u>2,908</u>	<u>53,268</u>
		<u>3,653</u>	<u>115,413</u>
Less: transferred to operating fixed assets		-	(114,668)
		<u>3,653</u>	<u>745</u>

5. CONTINGENCIES AND COMMITMENTS

- 5.1. There has been no significant change in the contingencies as given in the financial statements for the year ended June 30, 2009.
- 5.2. Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs.50.667 million (June 30, 2009 Rs.14.148 million).

Notes to the Interim Condensed Financial Statements for the quarter ended September 30, 2009 (Un-audited)

September 30, September 30,
2009 2008
Rupees in '000'

6. COST OF SALES

Raw material consumed	60,518	73,405
Packing material consumed	93,403	91,464
Fuel and power	542,029	925,133
Stores and spares consumed	40,589	42,253
Salaries, wages and benefits	44,289	47,719
Travelling and conveyance	6,480	7,231
Insurance	2,840	2,435
Repairs and maintenance	8,489	9,960
Communication	563	580
Depreciation	104,260	116,130
Other manufacturing expenses	2,385	1,920
	845,327	1,244,825

Work in process

Opening balance	94,846	13,068
Closing balance	(80,237)	(34,419)
	14,609	(21,351)

Cost of goods manufactured

920,454 1,296,879

Finished goods

Opening balance	34,743	11,936
Closing balance	(36,356)	(50,099)
	(1,613)	(38,163)
	918,841	1,258,716

7. DISTRIBUTION COST

Salaries, wages and benefits	5,149	6,763
Travelling and conveyance	153	189
Vehicle running expenses	578	1,059
Communication expenses	444	540
Printing and stationery	309	386
Rent, rates and taxes	493	469
Utilities	279	370
Repair and maintenance	400	535
Legal and professional charges	836	598
Insurance	106	201
Fee and subscription	103	546
Advertisement and sales promotion	71	-
Freight and handling charges export sales	23,938	205,574
Entertainment	178	210
Depreciation	688	886
Others	-	159
	33,725	218,485

Notes to the Interim Condensed Financial Statements for the quarter ended September 30, 2009 (Un-audited)

September 30, September 30,
2009 2008
Rupees in '000'

8. OTHER OPERATING EXPENSES

Exchange loss	92,687	144,147
Donations	8	111
Others	-	135
	<u>92,695</u>	<u>144,393</u>

Effective October 2007, the exchange differences on translation of foreign currency borrowings have been charged to profit and loss account in accordance with International Accounting Standards - 21 "The Effect of Changes in Foreign Exchange rates." previously these exchange differences were capitalized/adjusted as part of cost of the related assets as allowed under circular No. 1 of January 19 2005 issued by the Securities and Exchange Commission of Pakistan.

9. CASH GENERATED FROM OPERATIONS

Loss before taxation	(132,518)	(43,134)
Adjustment for non-cash charges and other items:		
Depreciation	108,215	120,915
Provision for gratuity and compensated absences	-	5,266
Finance cost	106,452	110,928
Profit/(Loss) on disposal of fixed assets	43	(11)
Exchange loss	92,687	144,146
	<u>307,397</u>	<u>381,244</u>

Cash flow before working capital changes 174,879 338,110

Working Capital changes:

(Increase)/decrease in current assets:		
Stores, spares and loose tools	8,317	(101,288)
Stock-in-trade	(310)	(74,548)
Trade debts	(7,962)	(256,905)
Loans and advances	9,656	3,598
Deposits and prepayments	209	11
Other receivables	(19)	190
	<u>9,891</u>	<u>(428,942)</u>

(Decrease)/increase in current liabilities:

Trade and other payables	(87,991)	341,947
Sales tax payable	(19,466)	13,486
	<u>(107,457)</u>	<u>355,433</u>

Cash generated from operations 77,313 264,601

Notes to the Interim Condensed Financial Statements for the quarter ended September 30, 2009 (Un-audited)

September 30, 2009 September 30, 2008
Rupees in '000'

10. BASIC EARNINGS PER SHARE -BASIC AND DILUTED

(Loss)/Profit after taxation (Rupees in '000)	<u>(67,215)</u>	<u>16,748</u>
Weighted average number of ordinary shares in issue (in '000')	<u>199,532</u>	<u>199,532</u>
Basic loss/earnings per share -Basic and diluted	<u>(0.34)</u>	<u>0.08</u>

11. TRANSACTIONS WITH RELATED PARTIES

Entities having directors in common with the Company

Repayment against lease financing	8,773	11,964
Finance cost paid	9,033	13,429

Staff retirement contribution plan

Contribution to staff provident fund	1,338	1,661
Contribution to staff gratuity fund	-	5,282

12. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 26, 2009 by the board of directors of the Company.

13. GENERAL

The figures of the corresponding period have been rearranged wherever necessary. However, there were no material classifications to report.

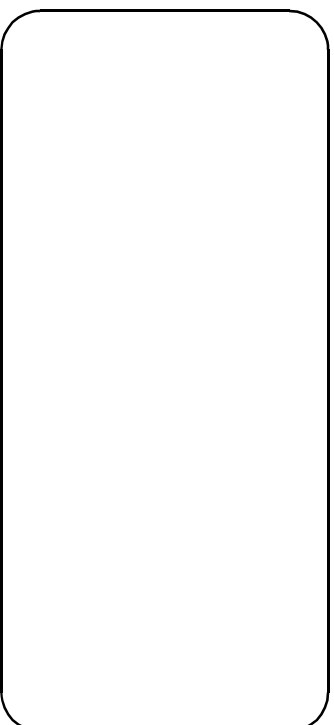
Figures have been rounded off to the nearest thousand rupees unless otherwise stated.


JAVED ALKHAN
Chief Executive


RAFIQUE DAWOOD
Director

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