



Building Strong Future

Annual Report 2007







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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.



Committed to make sustained efforts towards optimum utilization



Strategic Goals

Customers' satisfaction

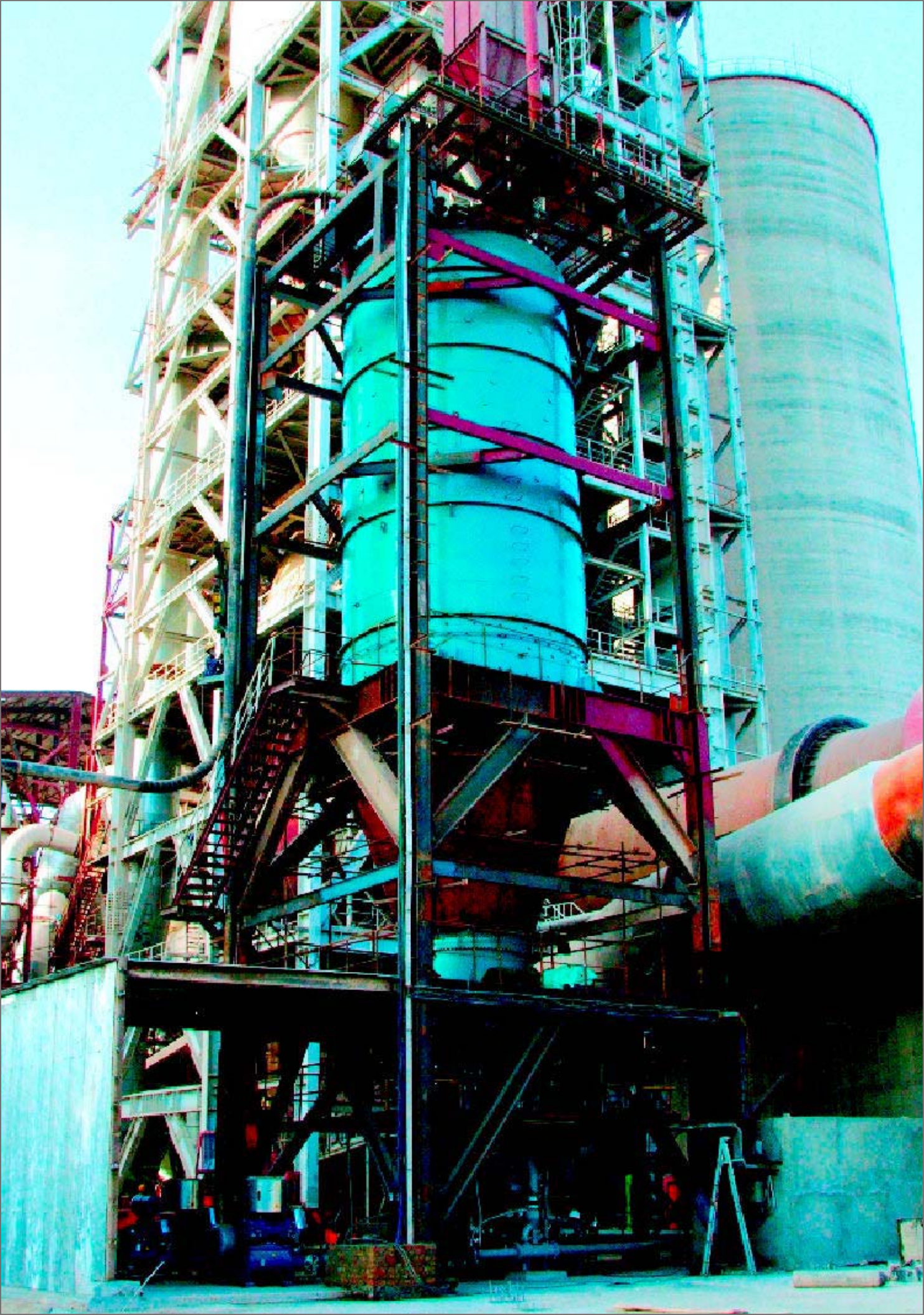
Efficient deployment of resources

Optimization of cost

Research and development

Maximization of profits

Environmental protection





Core Values

Professional ethics

Respect and
courtesy

Recognition of
human assets

Teamwork

Innovations and
improvement

Business Ethics

Transparency in transactions

Sound business policies

Judicious use of Company's resources

Avoidance of conflicts of interest

Justice to all

Integrity to all levels

Compliance of laws of the land



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



Quality Policy

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

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

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



Ensuring environment friendly operations, products and services



Environmental Protection

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

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

organizational aspects, technological options and other requirements.

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



In addition to fulfilling social obligations in the adjoining areas, the Company also made donations to different organizations



Social Obligations

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

- Primary Schools of Boys and Girls were constructed in 1995 in Chenki village and is being managed by the Company.
- A dispensary was established near the factory site to cater the emergency requirements of the workers as well as villagers residing in the vicinity of the factory.
- A mosque has been constructed in Chenki village and is being maintained by the Company.
- Metal road of 15 km length was re-constructed, raised and widened to 30 feet for the residents of Jabbi and Chenki villages.

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

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



Corporate Information

Mr. Manzoor Hayat Noon Chairman	Mr. Javed Ali Khan Managing Director & CEO	Mr. K. Iqbal Talib Director	Mr. Adnan Hayat Noon Director	Mr. Salman Hayat Noon Director
				
				
Mr. Wajahat A. Baqai Director (Nominee NBP)	Mr. Rafique Dawood Director (Nominee FDIB)	Mr. Cevdet DAL Director	Mr. Etrat Hussain Rizvi Director	Mr. Saleem Shahzada Director

Board of Directors

Chairman

Mr. Manzoor Hayat Noon

Managing Director & CEO

Mr. Javed Ali Khan

Non-Executive Directors

Mr. K. Iqbal Talib
Mr. Adnan Hayat Noon
Mr. Salman Hayat Noon
Mr. Wajahat A. Baqai (NBP)
Mr. Rafique Dawood (FDIB)

Independent Non-Executive Directors

Mr. Cevdet DAL
Mr. Etrat Hussain Rizvi
Mr. Saleem Shahzada

Audit Committee

Chairman

Mr. Rafique Dawood (FDIB)

Members

Mr. Salman Hayat Noon
Mr. Adnan Hayat Noon
Mr. Etrat Hussain Rizvi
Mr. Wajahat A. Baqai (NBP)

Chief Financial Officer

Mr. Muhammed Saleem

Company Secretary

Syed Anwar Ali

Internal Auditor

Mr. Muhammad Zafar Qidwai

Senior Management

Mr. Javed Ali Khan
Mr. Usman Masud Khan
Mr. Muhammed Saleem
Mr. Nabeed Najum
Mr. Muhammed Nadeem Malik
Mr. Jawaid Alam Khan
Col. (Rtd.) Abdul Khaliq

Managing Director & CEO

Executive Director

Chief Financial Officer

Executive Director (Operations)

General Manager (Sales)

General Manager (SCM)

General Manager (Admin)

Statutory Auditors

Ford Rhodes Sidat Hyder & Co.

Cost Auditors

Siddiqui & Co.

Legal Advisors

Hassan & Hassan

Sayeed & Sayeed

Bankers

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



Customers' satisfaction is the strategic goal of the Company.



HEAD OFFICE

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Sarwar Shaheed Road, Karachi, Pakistan.
Telephone (021) 5685052-55
Fax (021) 5685051
Email: pioneer@pioneercement.com

REGISTERED OFFICE / MARKETING OFFICE

1st Floor, AlFalah Building, Shahrah-e-Quaid-e-Azam,
Lahore, Pakistan.
Telephone (042) 6284820-2
Fax (042) 6284823
Email: pcllahore@pioneercement.com

SHARES DEPARTMENT

66, Garden Block, New Garden Town, Lahore, Pakistan.
Telephone (042) 5831462-63
Email: shares@pioneercement.com

FACTORY

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

SALES OFFICES

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

WEBSITE www.pioneercement.com

Seven Years at a Glance

		2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
PRODUCTION & SALES								
Clinker Production	Tons	1,238,168	769,397	690,529	458,545	441,321	439,221	401,473
Cement Production	Tons	1,263,627	815,231	720,214	483,742	504,947	401,050	422,090
Cement Sales - Domestic Market	Tons	1,136,958	716,728	553,461	478,805	503,284	396,853	432,459
- Export		130,284	118,028	166,486	3,100	1,013	-	-
		1,267,242	834,756	719,947	481,905	504,297	396,853	432,459
Capacity Utilization (based on installed capacity)		62%	77%	114%	77%	80%	64%	67%
OPERATING RESULTS								
Gross Sales	Rs.\Mn.	4,649	4,154	2,800	1,958	1,798	1,632	1,649
Excise Duty & Sales Tax	Rs.\Mn.	1,415	1,027	734	614	730	616	637
Net Sales	Rs.\Mn.	3,131	3,076	2,009	1,323	1,031	992	979
Gross Profit	Rs.\Mn.	318	1,231	637	387	114	268	35
Net Profit/(Loss) Before Tax	Rs.\Mn.	(184)	933	394	238	(152)	50	(290)
Net Profit/(Loss) After Tax	Rs.\Mn.	(93)	676	332	424	(157)	44	(295)
FINANCIAL POSITION								
Assets Employed By:								
Operating Assets	Rs.\Mn.	7,511	7,683	6,382	3,657	3,648	3,806	3,832
Current Assets	Rs.\Mn.	966	618	463	395	276	347	254
Other Assets	Rs.\Mn.	133	104	44	223	24	28	38
	Rs.\Mn.	8,610	8,405	6,888	4,275	3,948	4,181	4,124
Assets Financed By:								
Shareholders' Equity	Rs.\Mn.	2,096	2,322	1,621	545	121	278	263
Surplus on Revaluation of Fixed Assets	Rs.\Mn.	574	605	629	-	-	-	-
Long Term Loan/Deposits	Rs.\Mn.	2,930	2,781	2,469	2,107	2,466	2,518	2,863
Deferred Liabilities	Rs.\Mn.	1,010	1,299	1,179	1,239	1,027	799	569
Current Maturity	Rs.\Mn.	1,251	659	117	196	202	224	224
Other Current Liabilities	Rs.\Mn.	749	739	872	188	131	362	205
		8,610	8,405	6,888	4,275	3,948	4,181	4,124
INVESTORS INFORMATION								
Gross Profit to Sales		10.2%	40.0%	31.7%	29.2%	11.1%	27.02%	3.53%
Net Profit/(Loss) Before Tax to Sales		(5.9%)	30.3%	19.6%	18.0%	(14.8%)	5.0%	(29.6%)
Net Profit/(Loss) After Tax to Sales		(3%)	22.0%	16.5%	32.1%	(15.3%)	4.5%	(30.1%)
Return on Assets		(1.1%)	8.0%	4.8%	9.9%	(4.0%)	1.1%	(7.1%)
Return on Paid up Capital		(5.5%)	41.6%	21.5%	44.5%	(16.5%)	4.7%	(30.9%)
Return on Equity		4.5%	29.1%	20.5%	77.8%	(130.1%)	16.0%	(112.0%)
Inventory Turnover	Times	18.7	19.1	24.1	18.4	18.9	7.0	39.3
Asset Turnover	Times	0.36	0.36	0.30	0.31	0.26	0.24	0.24
Debt/Equity Ratio		52:48	48:52	52:48	86:14	97:3	93:7	93:7
Interest Coverage	Times	0.31	5.73	4.26	3.03	0.23	1.29	(0.15)
Current Ratio without Project Liabilities		0.56	0.56	0.92	1.03	0.83	0.59	0.59
Current Ratio with Project Liabilities		0.48	0.44	0.47	-	-	-	-
Earnings Per Share	Rs.	(0.55)	4.16	2.46	3.72	(1.65)	0.47	(3.09)
Market Value of Share (KSE)	Rs.	37.40	45.65	20.35	20.10	7.50	3.15	2.35

Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of Pioneer Cement Limited will be held at 66 Garden Block, New Garden Town, Lahore on Wednesday, October 31, 2007 at 11:30 a.m. to transact the following business:-

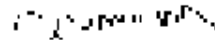
Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on October 30, 2006.
2. To receive, consider and adopt the audited accounts for the year ended 30 June, 2007 and the reports of the directors and auditors thereon.
3. To appoint auditors for the year ending 30 June, 2008 and to fix their remuneration.
4. To transact any other business as may be placed before the meeting with the permission of the Chairman.

Closure Of Share Transfer Books

The share transfer books of the Company will remain closed from October 25, 2007 to October 31, 2007 (both days inclusive) for the purpose of holding the annual general meeting.

By Order of the Board



SYED ANWAR ALI

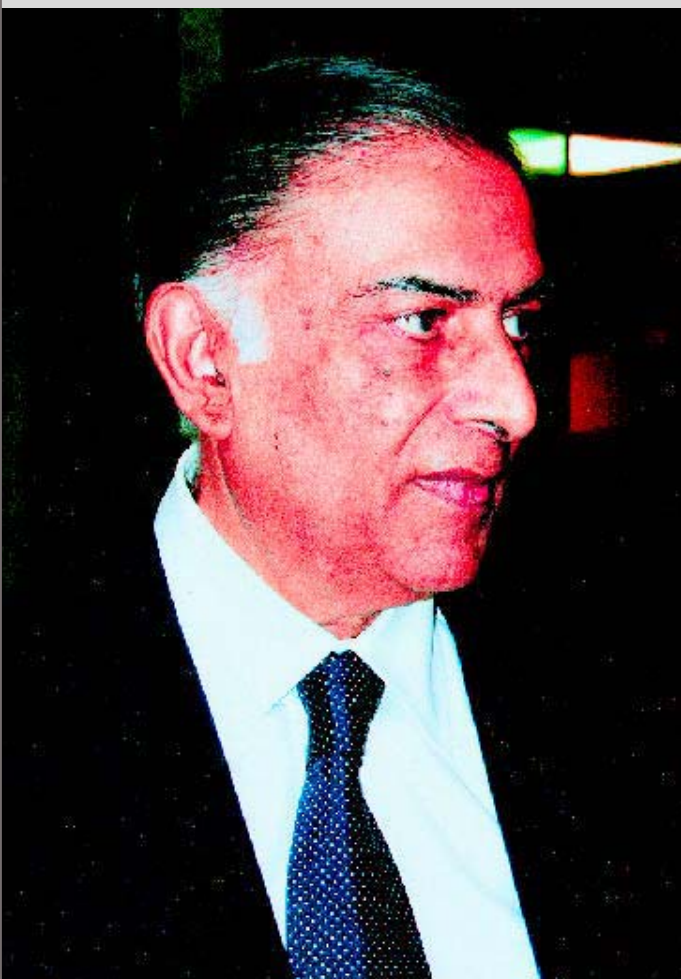
Company Secretary

October 03, 2007

Notes:

1. A member eligible to attend and vote at this meeting may appoint another member his/her proxy to attend, speak and vote instead of him/her. 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. Representative of corporate members should bring the usual documents required for such purpose.
2. The members, having physical shares are requested to provide copies of their CNIC and to notify change in their addresses, if any.

Mr. Manzoor Hayat Noon
Chairman



Chairman's Review and Directors' Report

I give below my review and the director's report to the shareholders for the financial year ended June 30, 2007 together with the Company's audited financial statements.

You are aware that by the Grace of Almighty Allah, your Company was able to achieve a turnaround last year, when it had posted a profit of Rs.675 million. The positive result of the last year had generated optimism with regard to the operations for the current year thereafter, unfortunately, Company sustained a loss of Rs.93 million despite substantial growth in sales volume.

A massive decline of 35% was recorded in average prices of cement in the domestic market during the year 2006-07, over the preceding year which has adversely affected the operating results of Company for the year under review. Cost of production on the other hand went up on account of increase in the price of input items and an upward revision of power tariff.

Cement price, had tumbled during the current year, due to fierce competition among cement manufacturers. Average net retention price during last year worked out to Rs.3,685 per ton which declined to Rs. 2,459 per ton during the year under review.

Marketing

During the period the Company enhanced its distribution network due to which, the Company was able to sell 1,141,267 tons during the year ended June 30, 2007 as against 716,727 tons sold during preceding year registering a rise of 59%. Due to fierce competition prevailing in the cement market, the price of cement continued to remain highly volatile, compelling the Company to make adjustments in the prices almost on daily basis. A price war has prevailed during the year under review which caused a decline of about 50% in the net price of cement.

Export

Your Company has exported 132,284 tons of cement as compared to 118,028 tons of cement exported last year and registered a rise of 12%. Due to depressed domestic market, and a falling trend in the price of cement during the year under review. The management is therefore trying to enhance export of cement besides exploring the possibility of exporting clinker in overseas market.



Profitability of the Company is likely to improve if export to neighbor countries is allowed by the government through the land route.



Production

Cement production during the period under review increased by 55% to 448,394 tons. The Clinker production has continuously been increasing, registering a rise 19% in the first quarter, 51% in the second quarter and 93% in the third quarter.

Due to the management's continued efforts to optimize the production and as result, production of clinker during the year was 1,238,168 tons as against capacity of 1,995,000 tons, whereas production of cement during the year was 1,263,626 tons as against the capacity of 2,094,750 tons. Capacity utilization of the plant remained at 74% during the year under review as against 69% for the preceding year.

Additional Financing

You will be pleased to know that National Bank of Pakistan

have disbursed Rs.500 million. The Bank of Punjab have also disbursed Rs.250 million to liquidate the excessive current liabilities of the Company and converted Rs.250 million as Long Term Loan. The above arrangements have partly resolved the current ratio problem. Further the Company already announced 17.50% Right issue amounting to Rs. 359 million.

Future Outlook

An encouraging scenario which has recently emerged is a tremendous growth in demand of cement in the neighboring countries. Export prices have shown an impressive recovery during April-07 due to shortage of cement in the region including India. Profitability of the Company is likely to improve if export to India is allowed by the government through the land route.

Since your Company is located close to this border, it can enormously benefit by exporting cement to the areas across the border, where an acute shortage of cement has been persisting. We have already applied for registration of our brand with the Bureau of India Standards. The local demand is likely to rise as Government of Pakistan in the budget 2007-08 has allocated Rs.543.26 million for Annual Development Projects.

Price hike of coal however, continues to remain a disturbing factor in the wake of dramatic escalation in the international prices of coal.

Contribution to National Exchequer

Your Company has contributed Rs. 1,415 million to the National Exchequer during the year under review, in the shape of Excise Duty and Sales Tax alone.

Corporate Social Responsibilities

The Company firmly believes in its Corporate responsibilities towards the Society. As part of our commitment to this cause the Company has provided line water, basic education and health facilities in the adjoining areas of its factory. The additional earnings expected from the expansion will enable the management to further enhance its contribution to Society.

Provident Fund / Gratuity Scheme

The Company has been maintaining Provident Fund and the same is duly recognized by the Tax Authorities. As regards Gratuity Fund, application for approval has been submitted to Income Tax Department.

WTO Implication

The management feels that WTO regime will have no negative impact on the operations of the Company. On the other hand it is felt that WTO might offer opportunities for exporting cement / clinker to the neighboring countries.

Business Ethics

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

Audit Committee

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

Corporate and Financial Reporting Framework

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

Your directors are pleased to report that:

- The financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flow and change in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standard as applicable in Pakistan, have been followed in preparation of financial statements.
- The existing internal control system and procedure are continuously reviewed by the internal auditors. The process of review will continue by the audit committee to monitor the effective implementation.
- There are no significant doubts upon the 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 regulation of stock exchanges.
- Key operating and financial data of last seven years annexed.
- The un-audited value of investment of provident fund as on June 30, 2007 is Rs. 67 million.

Board Meetings

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

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

Shareholdings

Aggregate Number of Shares held by:

i) The Directors/CEO and their spouse and minor children

Name	Own self	Spouse	Minor children
Mr. Manzoor Hayat Noon	69,906,235	40,894	Nil
Mr. Javed Ali Khan	2,079,040	Nil	Nil
Mr. K. Iqbal Talib	1,389,231	Nil	Nil
Mr. Adnan Hayat Noon	68,146	Nil	Nil
Mr. Salman Hayat Noon	65,845	Nil	Nil
Mr. Cevdet Dal	87,640	Nil	Nil
Mr. Etrat Hussain Rizvi	6,584	Nil	Nil
Mr. Saleem Shahzada	137,187	Nil	Nil
Mr. Rafique Dawood (FDIB Nominee)	16,460	Nil	Nil
Mr. Wajahat A. Baqai (NBP Nominee)	Nil	Nil	Nil

ii) Executives 252,491 shares

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

Mr. Manzoor Hayat Noon, Chairman 69,906,235 shares

The above shareholding includes 4.5117% Bonus Shares allotted by the Company during the year.

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

	Sale	Purchase
Mr. Cevdet Dal	8,000,000	-
Mr. Saleem Shahzada	904,988	-
Mr. Badruddin Fakhri (Ex. CFO)	94,600	65,000

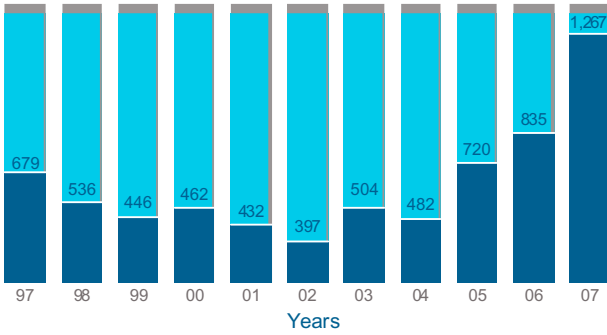
v) Shareholding of CEO in associated company's shareholding

Names of Associated Companies	No. of Shares
1. Noon Sugar Mills Ltd	2,803
2. Noon Pakistan Ltd	872
3. Noon Pakistan - Preference Shares	720

Graphic Presentation of Performance

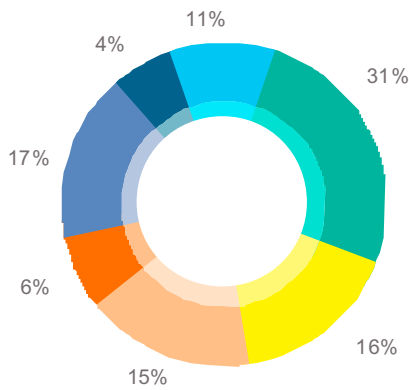
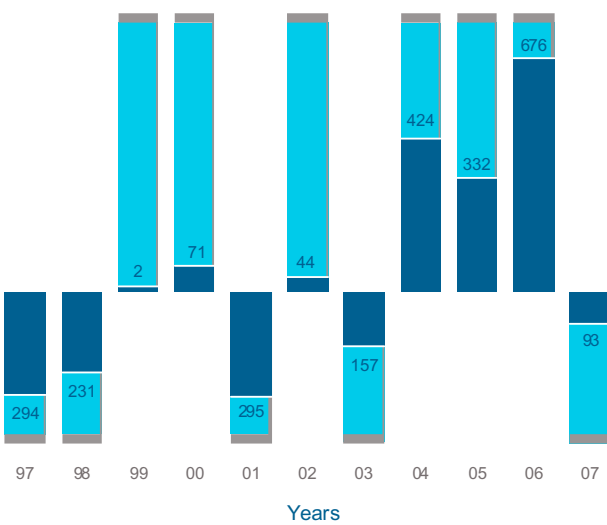
Volume of Cement Sales

Tons in '000



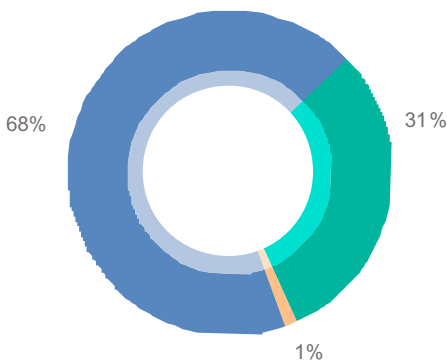
Net Profit / (Loss) after Tax

Rs./Million



Production Cost 2006-07

- Fuel
- Power
- Raw & Packing Material
- Salaries
- Dep. & Overheads
- Admin & Selling
- Financial Charges



Revenue 2006-07

- Net Sales
- Excise duty & Sales Tax
- Commission

The environment and safety aspects are at the core of management priorities.



Human Capital

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

Safety, Health and Environment

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

Dust Emission

33 Dust Collectors installed at several locations of plant are working very efficiently.

Gaseous Emission

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

Noise

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

Safety

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

Auditors

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

Acknowledgement

We give high value of the customers' satisfaction. We would like to express our thanks to our customers for their confidence on our quality and assure that the Company will continue to supply quality cement to our customers.

We are grateful to all the lenders namely Asian Development Bank, Asian Finance & Investment Corporation Ltd., National Bank of Pakistan, Bankers Equity Ltd, Industrial Development of Pakistan and Saudi Pak Industrial & Agricultural Investment Co (Pvt) Ltd. who have extended support in completion of the second production line of the Company. We are also grateful to the Bank of Punjab, Bank Islami Pakistan Ltd and Hong Kong Shanghai Banking Corporation, First Dawood Investment Bank Ltd., Orix Investment Bank Pakistan Ltd and First Credit & Investment Bank Ltd for their support and cooperation with the Company.

Thanks are due to the dealers, builders and suppliers for their cooperation. Thanks are also due to the employees for their dedication and hard work.

A handwritten signature in black ink, appearing to read 'MANZOOR HAYAT NOON'.

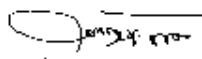
MANZOOR HAYAT NOON
CHAIRMAN

October 03, 2007
Lahore

Compliance with Best Practices of Transfer Pricing

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

On Behalf of the Board



JAVED ALI KHAN
Chief Executive

October 03, 2007
Lahore

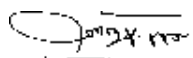
Compliance with Best Practices of Code of Corporate Governance

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

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

1. The Company encourages representation of independent non-executive directors. At present the Board includes nine non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and officers of the Company.
5. 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.
6. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
7. The meetings of the Board are presided over by the Chairman whenever present. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were appropriately circulated before the meetings. The minutes of the meetings were recorded and circulated amongst the directors.
8. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities. The Board has been given a presentation on the Code.
9. The Board has confirmed the appointments of CFO, Company Secretary and Head of Internal Auditor and the terms and conditions of employment, as determined by the CEO.
10. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee, comprising of four members, all of whom are non-executive directors.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code.
16. The Board has set up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

On Behalf of the Board



JAVED ALI KHAN
Chief Executive

October 03, 2007
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 contained in the Code of Corporate Governance prepared by the Board of Directors of Pioneer Cement Limited (the Company) to comply with the Listing Regulations No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, 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 have not carried out any special review of the internal control system to enable us to express

an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 June 30, 2007.



CHARTERED ACCOUNTANTS

October 03, 2007
Karachi

Financial Statements

for the year ended June 30, 2007



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Auditors' Report to the Members

We have audited the annexed balance sheet of **Pioneer Cement Limited** (the Company) as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (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, 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 June 30, 2007 and of the loss, its cash flows and changes in equity for the year then ended;
- (d) in our opinion Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund establish under section 7 of that Ordinance.

Ford Rhodes Sidat Hyder

CHARTERED ACCOUNTANTS

KARACHI:
October 03, 2007

A member of Ernst & Young Global Limited

Balance Sheet

as at June 30, 2007

	Note	2007 (Rupees in '000)	2006
ASSETS			
NON-CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	5	7,510,640	7,683,391
Long term loans	6	7,248	5,064
Long term deposits	7	126,317	97,509
		7,644,205	7,785,964
CURRENT ASSETS			
Stores, spare parts and loose tools	8	416,586	375,858
Stock-in-trade	9	150,294	96,757
Assets held for disposal	10	32,847	32,847
Trade debts - unsecured, considered good		29,717	12,490
Loans and advances	11	24,629	17,599
Trade deposits and short term prepayments	12	1,041	1,550
Other receivables	13	229	1,756
Current portion of long term deposits		1,950	1,300
Sales tax - net		3,507	-
Taxation - net		-	7,368
Cash and bank balances	14	305,492	71,905
		966,292	619,430
TOTAL ASSETS		8,610,497	8,405,394
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	15	2,500,000	2,500,000
Issued, subscribed and paid-up capital	16	1,698,148	1,624,839
Reserves		398,076	697,224
		2,096,224	2,322,063
SURPLUS ON REVALUATION OF FIXED ASSETS	17	574,203	604,342
NON-CURRENT LIABILITIES			
Long term financing	18	72,603	430,663
Liabilities against assets subject to finance lease	19	486,577	454,070
Long term Musharaka finance	20	50,000	50,000
Long term deposits	21	5,247	5,627
Long term creditor	22	21,497	29,008
Deferred liabilities	23	1,010,587	1,298,856
Long term loans	24	2,293,709	1,812,063
		3,940,220	4,080,287
CURRENT LIABILITIES			
Creditors against expansion project	25	283,428	308,934
Trade and other payables	26	392,894	361,701
Interest / mark up accrued		72,176	42,463
Short term Murabaha	27	99,720	-
Current portion of long term liabilities	28	1,150,772	658,885
Sales tax - net		-	26,719
Taxation - net		860	-
		1,999,850	1,398,702
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		8,610,497	8,405,394

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHAIRMAN

Profit and Loss Account

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006 (Rupees in '000')
Gross turnover	30	4,648,655	4,153,574
Excise duty		857,096	537,546
Sales tax		557,863	489,764
Commission		48,278	22,694
Freight and handling charges		53,931	27,648
		1,517,168	1,077,652
Net turnover		3,131,487	3,075,922
Cost of sales	31	2,813,309	1,845,284
Gross profit		318,178	1,230,638
Distribution costs	32	54,474	39,220
Administrative expenses	33	86,876	73,999
Other operating income	34	(11,687)	(71,163)
Finance costs	35	365,848	196,949
Other operating expenses	36	7,108	58,562
(Loss) / profit before taxation		(184,441)	933,071
Taxation	37	90,947	(257,089)
(Loss) / profit after taxation		(93,494)	675,982
		(Rupees)	(Rupees) Restated
(Loss) / earnings per share - Basic and diluted	38	(0.55)	3.98

The accounting policies and explanatory notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHAIRMAN

Cash Flow Statement

for the year ended June 30, 2007

	Note	2007 (Rupees in '000)	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(184,441)	933,071
Adjustments for non cash and other items:			
Depreciation		375,728	277,435
Un realized gain on fair value of derivative		-	(30,716)
Realized gain on settlement of derivative		-	(38,250)
Provision for gratuity and compensated absences		20,037	20,385
Finance cost		365,848	196,949
Profit on disposal of fixed assets		(2,720)	(480)
Workers' Profits Participation Fund		-	49,109
Reversal of provision for duty drawback on Export		985	-
Exchange loss		5,150	7,119
		765,028	481,551
Cash flow before working capital changes		580,587	1,414,622
Movement in working capital			
(Increase)/decrease in current assets:			
Stores, spares and loose tools		(40,727)	(109,718)
Stock-in-trade		(53,536)	(39,932)
Trade debts		(17,227)	6,454
Loans and advances		(7,030)	47,982
Deposits and prepayments		509	285
Other receivables		542	4,777
		(117,469)	(90,152)
(Decrease)/increase in current liabilities:			
Creditors against expansion project		(36,880)	(200,880)
Trade and other payables		66,596	66,731
Sales tax payable		(30,226)	7,988
		(510)	(126,161)
		(117,979)	(216,313)
Cash generated from operations		462,608	1,198,309
Finance cost paid		(390,037)	(210,680)
Workers' Profits Participation Fund paid		(53,345)	(22,433)
Income tax paid		(10,072)	(12,839)
Gratuity and compensated absences paid		(13,101)	(8,840)
Dividend paid		(160,772)	(30)
		(627,327)	(254,822)
Decrease in long term loans		(2,185)	1,654
Decrease in long term deposits - net		(29,838)	(63,046)
Net cash (outflow) / inflow from operating activities		(196,742)	882,095
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(239,634)	(1,574,195)
Proceeds from sale of fixed assets		4,274	636
Net cash used in investing activities		(235,360)	(1,573,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		734,662	165,943
Long term finance		(293,055)	300,000
Proceeds from Murabaha finance		99,720	-
Liabilities against assets subject to finance lease - net of repayments		124,362	299,897
Short term borrowings		-	(20,000)
Net cash inflow from financing activities		665,689	745,840
Net increase in cash and bank balances		233,587	54,376
Cash and bank balances at the beginning of the year		71,905	17,529
Cash and bank balances at the end of the year	14	305,492	71,905

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHAIRMAN

Statement of Changes in Equity

for the year ended June 30, 2007

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue reserve Accumulated (loss)/profit	Total reserves	Total equity
	(Rupees in '000)				
Balance as at June 30, 2005	1,547,466	150,682	(77,039)	73,643	1,621,109
Issue of bonus shares @ 1 share per 20 shares held	77,373	(77,373)	-	(77,373)	-
Profit for the year after taxation	-	-	675,982	675,982	675,982
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the year – net of tax	-	-	24,972	24,972	24,972
Balance as at June 30, 2006	1,624,839	73,309	623,915	697,224	2,322,063
Issue of bonus shares @ 4.51 shares per 100 shares held	73,309	(73,309)	-	(73,309)	-
Loss for the year after taxation	-	-	(93,494)	(93,494)	(93,494)
Dividend for the year 2005-2006 @ Re. 1 per share	-	-	(162,484)	(162,484)	(162,484)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the year – net of tax	-	-	30,139	30,139	30,139
Balance as at June 30, 2007	1,698,148	-	398,076	398,076	2,096,224

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHAIRMAN

Notes to the Financial Statements

for the year ended June 30, 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1. The Company was incorporated in Pakistan as a public limited company 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 2,000 tons per day clinker. During 2005, the capacity was optimized to 2,350 tons per day. During the year ended June 30, 2006, another production line of 4,300 tons per day clinker capacity was completed which started commercial operations from April 2006.
- 1.3. In order to improve its 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 issuing right shares and using other options.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

3. ACCOUNTING CONVENTION

These financial statements have been prepared under the 'historical cost' convention, except for revaluation of certain fixed assets, capitalization of borrowing cost and exchange differences, certain financial instruments which are stated as per the requirements under IAS-39 "Financial Instruments: Recognition and Measurement" and recognition of certain staff retirement benefits at present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Significant accounting judgments and estimates

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

- (a) recognition of taxation and deferred tax (notes 4.14 & 37);
- (b) determining the residual values and useful lives of property, plant and equipment (notes 4.2, 4.7, 5.1 & 17);
- (c) accounting for post employment benefits (notes 4.9 & 23.2); and
- (d) impairment of inventories / adjustment of inventories to their Net Realizable Value (note 4.4 & 4.19).

4.2 Property, plant and equipment

Operating fixed assets

Owned

These are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any, except freehold land which is stated at cost.

Depreciation is calculated at the rates specified in note 5.1 to the financial statements on straight line method except plant and machinery and coal firing system on which depreciation is charged on the basis of units of production method. The net exchange differences relating to an asset at the end of each year are amortised over its remaining useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Assets' residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Notes to the Financial Statements

for the year ended June 30, 2007

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

Assets subject to finance lease

These are stated 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.

Capital work in progress

These are stated at cost including capitalization of borrowing costs. It consists of expenditures incurred and advances made in respect of fixed assets in the course of their construction and installation.

4.3. Stores, spare parts and loose tools

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

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

4.4 . Stock-in-trade

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

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

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

4.5. Trade debts and other receivables

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

4.6. Cash and cash equivalents

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

Notes to the Financial Statements

for the year ended June 30, 2007

4.7. Surplus on revaluation of fixed assets

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

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

4.8. Long term and short term borrowings

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

4.9. Employees' benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees, who have completed the minimum qualifying period of service, which provides for a graduated scale of benefits dependent on the length of service of the employee. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10 percent of the defined benefit obligation as of the end of previous reporting period. These gains or losses are recognised over the expected remaining working lives of the employees participating in the scheme.

Defined contribution plan

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

Compensated absences

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

4.10. 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.

Notes to the Financial Statements

for the year ended June 30, 2007

4.11. Provisions

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

4.12. Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. 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 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 income tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against these can be utilised. The Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

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

4.13. Foreign currency translations

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

Exchange differences are accounted for as follows:

- i) Exchange differences on translation of foreign currency loans utilized for acquisition of fixed assets are added to or deducted from the carrying amounts of the respective assets in case of loans obtained prior to July 05, 2004 and are allowed to be capitalized upto September 30, 2007 in accordance with the Circular no. 1 of 2005 dated January 19, 2005 issued by the SECP; and
- ii) All other exchange differences are taken to the profit and loss account.

4.14. 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 removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

Notes to the Financial Statements

for the year ended June 30, 2007

4.15. Derivative financial instruments

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

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

4.16. Offsetting of financial assets and financial liabilities

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

4.17. 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.
- Scrap sales are recognised on physical delivery to customer.
- Other revenues are accounted for on accrual basis.

4.18. Borrowing costs

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

4.19. 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.

4.20. Dividend and appropriation to reserves

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

4.21. Related party transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Companies Ordinance, 1984.

	Note	2007 (Rupees in '000')	2006
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	7,509,855	7,075,726
Capital work in progress	5.2	785	607,665
		7,510,640	7,683,391

Notes to the Financial Statements

for the year ended June 30, 2007

2007 Description	Note	COST/REVALUATION			ACCUMULATED DEPRECIATION			Written down value as at June 30, 2007			
		As at July 1, 2006	Additions/Transfers	Disposals/Transfers	As at June 30, 2007	Rate %	As at July 1, 2006		Disposals/Transfers	For the year	As at June 30, 2007
		(Rupees in '000)			(Rupees in '000)						
Owned											
Freehold land		31,411	-	-	31,411	-	-	-	-	-	31,411
Factory building on freehold land		1,057,194	* 138,856	-	1,196,050	5	391,632	-	53,440	-	445,072
Office building		14,182	-	-	14,182	10	14,180	-	-	-	14,180
Roads and quarry development		56,008	-	-	56,008	20	2,800	-	11,202	-	14,002
Plant and machinery line I	5.1.1	4,974,032	311	*** 35,101	4,952,242	Units of production method based on 25 years life	1,395,118	**1,587	235,147	1,631,852	3,320,390
Plant and machinery line II		1,879,300	844	**** 288,413	2,269,043	Units of production method based on 20 years life	3,701	-	24,652	28,353	2,240,690
Coal firing system		264,089	-	-	264,089	Units of production method based on 15 years life	46,368	-	22,167	68,535	195,554
Furniture and fixture		20,827	6,703	490	27,040	10	16,783	139	935	17,579	9,461
Office equipment		10,036	2,313	200	12,149	10	8,419	150	433	8,702	3,447
Computers and accessories		17,224	3,339	395	20,168	33	13,188	236	2,693	15,645	4,523
Vehicles		39,080	4,103	6,054	37,129	20	20,077	5,060	5,470	20,487	16,642
		8,363,383	17,613	7,139	8,879,511		1,912,266	5,585	356,139	2,264,407	6,615,104
			* 816,168	** 35,101				**1,587			
			** 13,000	**** 288,413							
Assets subject to finance lease											
Plant and machinery line I		13,000	-	** 13,000	-	Units of production method based on 25 years life	1,157	**1,587	430	-	-
Coal firing system		73,000	-	-	73,000	Units of production method based on 15 years life	573	-	6,128	6,701	66,299
Plant and machinery line II		541,405	**** 288,413	-	829,818	Units of production method based on 20 years life	1,066	-	11,704	12,770	817,048
Vehicles		-	12,731	-	12,731	20	-	-	1,327	1,327	11,404
		627,405	12,731	** 13,000	915,549		2,796	**1,587	19,589	20,798	894,751
			**** 288,413								
2007		8,990,788	30,344	7,139	9,795,060		1,915,062	5,585	375,728	2,285,205	7,509,855
			* 816,168	** 13,000							
			** 13,000	*** 35,101							
			**** 288,413	**** 288,413							

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

Notes to the Financial Statements

for the year ended June 30, 2007

2006 Description	Note	COST/REVALUATION (Rupees in '000)			ACCUMULATED DEPRECIATION (Rupees in '000)				Written down value as at June 30, 2006		
		As at July 1, 2005	Additions	Disposals/ transfers *	As at June 30, 2006	Rate %	As at July 1, 2005	Disposals/ Transfers*		For the year	As at June 30, 2006
Owned											
Freehold land		31,411	-	-	31,411	-	-	-	-	-	31,411
Factory building on freehold land		682,887	374,307	-	1,057,194	5	352,809	-	38,823	391,632	665,562
Office building		14,182	-	-	14,182	10	14,180	-	-	14,180	2
Roads and quarry development		-	56,008	-	56,008	20	-	-	2,800	2,800	53,208
Plant and machinery line I	5.1.1	5,007,850	504	* 34,322	4,974,032	Units of production method based on 25 years life	1,194,326	* 4,546	205,340	1,395,118	3,578,914
Plant and machinery line II		-	1,879,300	-	1,879,300	Units of production method based on 20 years life	-	-	3,701	3,701	1,875,599
Coal firing system		217,557	46,532	-	264,089	Units of production method based on 15 years life	30,057	-	16,311	46,368	217,721
Furniture and fixture		18,539	2,340	52	20,827	10	16,386	20	417	16,783	4,044
Office equipment		9,102	1,101	167	10,036	10	8,190	110	339	8,419	1,617
Computers and accessories		13,931	3,418	125	17,224	33	11,748	123	1,562	13,188	4,036
Vehicles		32,761	7,014	695	39,080	20	14,715	630	5,991	20,077	19,003
		6,028,220	2,370,524	1,039	8,363,383		1,642,411	883	275,284	1,912,266	6,451,117
				* 34,322				* 4,546			
Assets subject to finance lease											
Plant and machinery line I		13,000	-	-	13,000	Units of production method based on 25 years life	645	-	512	1,157	11,843
Coal firing system		-	73,000	-	73,000	Units of production method based on 15 years life	-	-	1,066	1,066	71,934
Plant and machinery line II		-	541,405	-	541,405	Units of production method based on 20 years life	-	-	573	573	540,832
		13,000	614,405	-	627,405		645	-	2,151	2,796	624,609
2006		6,041,220	2,984,929	1,039	8,990,788		1,643,056	883	277,435	1,915,062	7,075,726
				* 34,322				* 4,546			

Notes to the Financial Statements

for the year ended June 30, 2007

5.1.1. Additions to plant and machinery are net off exchange gain amounting to Rs. 35,101 million (2006: Rs. 17,905 million) arising on foreign currency loans.

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

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
Cost of sales	31	357,681	269,459
Distribution cost	32	2,409	1,439
Administrative expenses	33	4,436	3,737
Raw material consumed	31.1	11,202	2,800
		375,728	277,435

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

Particulars	Cost	Accumulated depreciation	Written Down Value (Rupees in '000)	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of buyers
Refrigerator	100	3	97	97	-	Company Policy	Mr. Abbass Raza Ex-employee
Air Conditioner	75	2	73	73	-	Company Policy	Mr. Penzaiz Ahmed Ex-employee
Computer	136	74	62	62	-	Company Policy	Mr. Khadim Hussain Alvi Ex-employee
Computer	130	75	55	31	(24)	Negotiation	Mr. Javed Ali Khan Employee
Mini Bus Mitsubishi (KBA-6881)	1,569	575	994	812	(182)	Negotiation	Mr. Zahid Siddiqui Employee
Aggregate amount of assets disposed off having book value less than Rs. 50,000/- each	5,129	4,856	273	3,199	2,926		
	7,139	5,585	1,554	4,274	2,720		
2006	1,039	883	156	636	480		

5.1.4. Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been as follows:

	2007 (Rupees in '000)	2006 (Rupees in '000)
Plant and machinery - I	2,442,498	2,657,451
Coal firing system	187,995	209,409
	2,630,493	2,866,860

Notes to the Financial Statements

for the year ended June 30, 2007

5.2 CAPITAL WORK-IN-PROGRESS

	Note	Opening balance	Additions	Transferred to operating fixed assets	Closing balance
		(Rupees in '000')			
Plant expansion					
Plant and machinery - owned	5.2.1	523,555	153,757	677,312	-
Factory building					
Civil works		84,108	55,533	138,856	785
		<u>607,663</u>	<u>209,290</u>	<u>816,168</u>	<u>785</u>

5.2.1. Includes borrowing costs amounting to Rs. 8.907 million (2006: Rs. 84.906 million), capitalized during the year.

	Note	2007	2006
		(Rupees in '000')	

6. LONG TERM LOANS - secured, considered good

House building loan to:			
- Executives	6.1 & 6.3	7,770	4,533
- Employees		1,012	1,753
		<u>8,782</u>	<u>6,286</u>
Motorcycle loan to employees	6.2	78	292
		<u>8,860</u>	<u>6,578</u>
Less: Current portion	11	1,612	1,514
		<u>7,248</u>	<u>5,064</u>

6.1. House building loans are secured against retirement benefits due to executives and are repayable in 96 monthly installments. These loans carry interest @ 5 percent (2006: 5 percent) per annum. Maximum aggregate amount due from executives at the end of any month during the year was Rs. 7.208 million (2006: Rs. 7.147 million).

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

	Note	2007	2006
		(Rupees in '000')	

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

Opening balance		4,533	5,512
Additions		4,111	197
Repayments		874	1,176
Closing balance		<u>7,770</u>	<u>4,533</u>

7. LONG TERM DEPOSITS

Security deposits

- Utilities		35,730	35,730
- Leasing companies		91,217	61,766
- Others		1,320	1,313
		<u>128,267</u>	<u>98,809</u>
Less: Current portion of security deposits to leasing companies		1,950	1,300
		<u>126,317</u>	<u>97,509</u>

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006
8. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		112,886	105,450
Spare parts		282,275	248,642
Loose tools		14,371	13,233
		409,532	367,325
Spare parts in transit		7,054	8,533
		416,586	375,858

9. STOCK-IN-TRADE

Raw material		16,480	23,609
Packing material		13,978	12,457
Work in process		110,600	44,196
Finished goods		9,235	16,495
		150,294	96,757

10. ASSETS HELD FOR DISPOSAL

This includes fuel burner and coal grinding mill from which no future economic benefits are expected from their use. Accordingly, the management has decided to dispose off these assets in the near future. These assets are carried at lower of their carrying amounts and fair values less estimated cost to sell.

The fair value of these assets is Rs. 33.880 million (2006: Rs. 35.2 million) as valued by an independent valuer.

	Note	2007 (Rupees in '000')	2006
11. LOANS AND ADVANCES - considered good			
Loans - secured			
Current portion of long term loans	6	1,612	1,514
Advances - unsecured			
Executives		1,385	1,747
Employees		2,915	2,572
Margin against letters of credit		4,049	3,634
Suppliers, contractors and service providers		14,668	8,132
		23,017	16,085
		24,629	17,599

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits		400	600
Short term prepayments		641	950
		1,041	1,550

13. OTHER RECEIVABLES

Export rebate		-	1,194
Others		229	562
		229	1,756

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006 (Rupees in '000')
14. CASH AND BANK BALANCES			
Cash in hand		777	1,168
With banks in:			
Current accounts			
- Local currency	14.1	304,604	70,626
- Foreign currency		57	57
		304,661	70,683
Deposit accounts			
- Local currency		41	41
- Foreign currency		13	13
		54	54
		304,715	70,737
		305,492	71,905

14.1. These carry profit rates ranging from 0.75 percent to 2.5 percent (2006: 0.75 percent to 2.5 percent) per annum.

15. AUTHORIZED SHARE CAPITAL

2007 No. of Shares in ('000')	2006 No. of Shares in ('000')	Note	2007 (Rupees in '000')	2006 (Rupees in '000')
200,000	200,000	Ordinary shares of Rs. 10/- each	2,000,000	2,000,000
50,000	50,000	Preference shares of Rs. 10/- each	500,000	500,000
250,000	250,000		2,500,000	2,500,000

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10/- each

143,156	143,156	Fully paid in cash	1,431,557	1,431,557
11,590	11,590	Issued as fully paid against outstanding loan liability	115,909	115,909
15,068	7,737	Issued as fully paid bonus shares	150,682	77,373
169,814	162,483		1,698,148	1,624,839

16.1. Under an agreement, Industrial Development Bank of Pakistan (IDBP) had a right to subscribe for and receive preferential allotment of shares at face value upto 20 percent of its outstanding loan amount. The SECP (then CLA) had disallowed IDBP to exercise this option in the past.

16.2. 69,906,235 (2006: 76,717,359) ordinary shares of Rs.10/- each are held by the related parties as at June 30, 2007.

16.3. The bonus shares were issued during the year to the share holders in the proportion of 4.51 ordinary shares per 100 ordinary shares held amounting to Rs.73.309 (2006: Rs. 77.373) million out of the share premium account under Section 83 (2)(d) of the Ordinance and were approved by the members at the Annual General Meeting held on October 31, 2006.

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006
17. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax			
Gross surplus			
Opening balance of surplus on revaluation of fixed assets		929,758	968,176
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(43,999)	(38,418)
		885,759	929,758
Less: Deferred tax liability on :			
Opening balance of revaluation		325,416	338,862
Incremental depreciation charged on related assets		(13,860)	(13,446)
	23.3	311,556	325,416
Closing balance of surplus on revaluation of fixed assets		574,203	604,342

17.1. The plant and machinery and coal firing system of the Company were revalued by an independent valuer M/s Sipra and Company on the basis of professional assessment of present market values in financial year ended June 30, 2005.

	Note	2007 (Rupees in '000')	2006
18. LONG TERM FINANCING - Secured			
From banking companies and other financial institutions:			
Bank of Punjab	18.1	-	250,000
From a Syndicate	18.2	37,500	50,000
Bankers Equity Limited - under liquidation (BEL)			
Term Finance Certificates (TFCs)	18.3	140,848	171,403
		178,348	471,403
Less: Current portion of:			
- From a Syndicate		37,500	-
- Bankers Equity Limited - under liquidation (BEL)			
Term Finance Certificates (TFCs)		68,245	40,740
		105,745	40,740
		72,603	430,663

18.1. During the year, the loan was adjusted against a new finance facility acquired by the Company amounting to Rs.500 million disbursed on June 30, 2007. The facility was taken at the mark-up rate of 3.5 percent above 3 months KIBOR. The loan was secured by hypothecation over the Company's all present and future current assets and personal guarantees of sponsoring directors.

18.2. The syndicate consists of First Credit and Investment Bank Limited (FCIBL) and ORIX Investment Bank Pakistan Limited (OIBPL) both having equal share in the syndicate. The facility is secured by ranking charge by way of hypothecation over the Company's entire present and future current assets, demand promissory note and guarantees of the sponsoring directors in favour of syndicate members.

The terms of repayment are as follows:

	FCIBL	OIBPL
Rate of interest	4 percent plus 6 months KIBOR	4 percent plus 6 months KIBOR
Interest repayments	Monthly	Quarterly
Principal repayments	Bullet payment in September 2007	4 equal quarterly installment of Rs. 6.25 million starting October 2006

Notes to the Financial Statements

for the year ended June 30, 2007

18.3. Following are the terms and conditions of rescheduled loan as approved by the High Court of Sindh in 2004:

Repayment	September 30, 2004 to June 30, 2009
Number of installments	20 quarterly installments
Rate of mark up	4.67 percent per annum
Delay in payment of installments	Additional mark up at the rate of 12 percent of the overdue amount

The TFCs are secured by creation of an equitable mortgage and first floating charge on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favour of other lenders. In case of default of any payment by the Company, BEL has irrevocable right to revert the rescheduled loan. The construction period mark up and other charges on TFCs (Note 23) have been frozen and will be paid during September 2006 to June 2009.

The original agreement provided that in the event of the rate of return falling below the minimum prescribed percentages, BEL has the option to convert 20 percent of the outstanding TFCs into fully paid ordinary shares of the Company at par value. This option is no more exercisable as per rescheduling approved by the High Court of Sind in 2004.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance leases entered into with leasing companies for plant and machinery and vehicles. Total lease rentals due under various lease agreements aggregate to Rs. 848.445 million (2006: Rs. 717.393 million) and are payable in equal monthly / quarterly / semi-annual installments latest by October 17, 2011. Overdue rental payments are subject to an additional charge upto 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the Company. In case of termination of agreement, the Company has to pay the entire rent for the unexpired period. Financing rates of approximately 13.5 percent to 15 percent (2006: 9 percent to 12 percent) per annum have been used as discounting factor. The finance lease liability is as follows:

	2007		2006	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	(Rupees in '000)			
Upto one year	301,242	225,440	191,271	133,585
One year to five years	547,203	486,577	526,123	454,070
	848,445	712,017	717,394	587,655
Less: Finance charges allocated to future periods	136,428	-	129,739	-
	712,017	712,017	587,655	587,655
Less: Current maturity	225,440	225,440	133,585	133,585
	486,577	486,577	454,070	454,070

20. LONG TERM MUSHARAKA FINANCE

Represents Musharaka finance facility obtained by the Company from First Dawood Investment Bank Limited, a related party, carrying profit rate of 15 percent per annum. The facility is repayable on December 31, 2008 with quarterly payments of profit and is secured by way of hypothecation of stocks in trade and receivables of the Company. Initially the facility was payable by December 31, 2006.

	Note	2007	2006
		(Rupees in '000)	

21. LONG TERM DEPOSITS

From employees	21.1	4,012	5,007
From suppliers and distributors		1,235	620
		5,247	5,627

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

22. LONG TERM CREDITOR - unsecured

Contractor	22.1	29,008	35,008
Less: Current portion	25.2	7,511	6,000
		21,497	29,008

22.1. Represents payable to contractor of the expansion project. The contractor has agreed to receive its outstanding liability in monthly installments of Rs 0.5 million per month. The said balance is interest free.

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006
23. DEFERRED LIABILITIES			
Deferred interest / mark up			
Bankers Equity Limited - TFCs	18	133,183	149,518
Asian Development Bank	24.1	91,973	98,273
Bankers Equity Limited - LMM	24.3	39,852	46,326
National Bank of Pakistan (Former NDFC)	24.4 & 23.1	539,043	577,546
Industrial Development Bank of Pakistan	24.6	53,887	56,887
		857,938	928,550
Less: Current portion		247,501	130,390
		610,437	798,160
Defined benefit plan	23.2	73,409	64,707
Deferred taxation	23.3	326,741	435,989
		1,010,587	1,298,856

23.1. It carries service fee at the rate of 2 percent (2006: 2 percent) per annum on the outstanding mark up as at June 30, 2003, payable in semi annual installments till June 30, 2013.

23.2. Defined benefit plan

23.2.1. The amount recognised in the balance sheet is as follows:

Present value of defined benefit obligation	88,370	82,560
Unrecognised actuarial loss	(14,961)	(17,853)
Liability recognised in the balance sheet	73,409	64,707

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

Current service cost	9,717	8,839
Interest cost	7,488	5,792
Actuarial loss recognized	848	181
	18,053	14,812

23.2.3. Movement in liability recognised in the balance sheet is as follows:

Balance as at July 01	64,707	55,749
Net charge for the year	18,053	14,812
	82,760	70,561
Contributions made by the Company	9,351	5,854
Balance as at June 30	73,409	64,707

23.2.4. Movement in the present value of defined benefit obligation:

Balance as at July 01	82,560	64,358
Current service cost	9,717	8,839
Interest cost	8,336	5,973
Benefits paid during the year	(9,351)	(5,854)
Actuarial loss / (gain) for the year	(2,892)	9,244
Balance as at June 30	88,370	82,560

Notes to the Financial Statements

for the year ended June 30, 2007

	2007 (Rupees in '000)	2006
23.2.5. The principal assumptions used in the actuarial valuations carried out as of June 30, 2007 using the 'Projected Unit Credit' method are as follows:		
Expected rate of increase in salary level	10	10
Valuation discount rate	10	10
Expected mortality rate	EFU (61-66) Mortality Table	EFU (61-66) Mortality Table
Expected withdrawal rate	EFU (61-66) Mortality Table	EFU (61-66) Mortality Table

Comparisons for past years:

As at June 30	2007	2006	2005 (Rupees `000)	2004	2003
Present value of defined benefit obligation	<u>88,370</u>	82,560	64,358	50,012	41,390

	Note	2007 (Rupees in '000)	2006
23.3. Deferred taxation			
Credit balance arising due to:			
- accelerated tax depreciation		972,916	832,751
- owned assets		57,561	37,224
- leased assets - net of liability		311,556	325,415
- surplus on revaluation of fixed assets	17	<u>1,342,033</u>	1,195,390
Debit balance arising due to:			
- available tax losses		(987,646)	(731,087)
- liabilities for gratuity and accrued compensated absences		(27,646)	(28,314)
		<u>(1,015,292)</u>	(759,401)
		<u>326,741</u>	435,989

Notes to the Financial Statements

for the year ended June 30, 2007

24. LONG TERM LOANS - secured

	Note	Installments			2007	2006
		Number	Commencing from	Rate of interest / markup	(Rupees in '000)	(Rupees in '000)
Foreign Currency Loans						
<i>From banking companies and other financial institutions:</i>						
Asian Development Bank (ADB) - Japanese Yen	24.1	9 half yearly	November 15, 2006	1.3% above 6 months LIBOR	451,358	585,618
Asian Finance & Investment Corporation Limited (AFIC) - US Dollar	24.2	23 quarterly	March 31, 2007	2.5% above 3 months LIBOR	223,444	232,637
					674,802	818,255
Local Currency Loans						
<i>From banking companies and other financial institutions:</i>						
Bankers Equity Limited - Locally Manufactured Machinery (LMM)	24.3	21 quarterly	September 30, 2004	1.26%	152,247	186,897
National Bank of Pakistan	24.4 & 24.5	30 quarterly	March 31, 2006	2% above 3 months KIBOR	413,402	448,553
National Bank of Pakistan (Former NDFC)	24.4 & 24.8	30 quarterly	March 31, 2006	2% above 3 months KIBOR	298,107	313,625
Industrial Development Bank of Pakistan (IDBP)	24.6 & 24.8	25 quarterly	December 31, 2006	8.62%	69,757	69,757
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	24.7	12 quarterly	May 31, 2006	3% above 6 months KIBOR	70,000	100,000
National Bank of Pakistan (NBP)	24.9	12 quarterly	May 2006	2.5% above 6 months KIBOR	187,480	229,146
National Bank of Pakistan (NBP)	24.10	8 half year	December 2008	2.5% above 6 months KIBOR	500,000	-
The Bank of Punjab	24.11	36 monthly	July 2008	3.5% above 3 months KIBOR	500,000	-
					2,190,993	1,347,978
					2,865,795	2,166,233
Less: Current portion					572,086	354,170
					2,293,709	1,812,063

24.1. The loan is secured by creation of an equitable mortgage over the Company's immovable assets, undertaking by the Company to execute and register further security as may be required by ADB, a letter of hypothecation providing first charge over the Company's moveable assets other than book debts and personal guarantees of sponsoring directors of the Company. In the event of default in payments, the Company shall pay liquidated damages at the rate of 1.5 percent per annum of the overdue amount. Outstanding interest upto September 30, 1999 has been deferred and will be payable in two equal half yearly installments due on November 15, 2008 and May 15, 2009 (Note 23).

24.2. 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.

24.3. The loan is secured by creation of a first mortgage and first floating charge on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favour of other lenders. In case of default of any payment by the Company, BEL has irrevocable right to revert the rescheduled loan. Further, the Company shall pay additional mark up at the rate of 12 percent per annum of the overdue amount. The construction period mark up and other charges have been frozen and will be paid during September 2006 to June 2009. (Note 23).

Notes to the Financial Statements

for the year ended June 30, 2007

- 24.4. The installment due on December 31, 2006 has been deferred for the principal amount for one year and is payable 50 percent each on January 01, 2008 and July 01, 2008. Further, the outstanding mark up as at June 30, 2003 has also been deferred and shall be paid in semi annual installments on step up basis and repayment will commence following the conclusion of grace period and will conclude by December 31, 2011. (Note 23)
- 24.5. The loan is secured by an agreement of hypothecation, floating charge and personal guarantees of the sponsoring directors of the Company.
- 24.6. In case of default in any payment, a penalty at the rate of 0.60 Rupee per Rupees thousand per day shall be charged on the defaulted amount for the period for which it remains unpaid. The frozen mark up upto June 30, 2001 has been deferred and will be paid in twelve quarterly installments commencing from June 30, 2009. (Note 23)
- 24.7. The loan is secured by creation of a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future fixed assets including plant and machinery and guarantee of sponsoring directors. If the Company does not pay the purchase price on its due date, the Company shall become liable to pay liquidated damages @ 20 percent of purchase price and in case of delay beyond 7 days additional markup @ 2 percent on unpaid balance will also be payable to the bank.
- 24.8. These loans are secured by creation of an equitable mortgage on the Company's immovable properties including land, building, factory, plant and machinery and equipment ranking pari passu with the charge / mortgage created in favour of other lenders, a floating charge on the business, undertaking and other properties and assets of the Company, pledge / hypothecation of all plant and machinery, equipment, motor vehicles and movable properties of the Company, hypothecation of book debts and all receivables of the Company and in case of NBP (Former NDFC) is secured by personal guarantees of sponsoring directors of the Company.
- 24.9. Represents loan obtained from NBP amounting to Rs. 250 million for financing expansion project. The loan is secured by creation of a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future plant and machinery and guarantee of sponsoring directors. The installment due on December 31, 2006 have been deferred for the principal amount for one year and is payable 50 percent each on January 01, 2008 and July 01, 2008.
- 24.10. Represents loan acquired by the Company during the year from NBP. This loan is secured by ranking charge of marked up amount plus 25 percent margin, which is to be upgraded to pari passu charge in 120 days.
- 24.11. Represents loan acquired by the Company during the year after adjustment of previous loan disbursed by the Bank of Punjab. This loan is secured against first pari passu charge on all present & future current and fixed assets of the Company with 25 percent margin, a charge on all receivables and collections of the Company by way of assignments of receivables to be registered with SECP, a letter of set off & letter of lien and personal guarantees of Mr. Manzoor Hayat Noon (Chairman) & Mr. Javed Ali Khan (Chief Executive). Further, ranking charge on current and fixed assets of the Company already registered with SECP for Rs. 333.334 million is to be enhanced to Rs. 666.666 million and upgraded to first pari passu charge with in 90 days.

	Note	2007 (Rupees in '000')	2006
25. CREDITORS AGAINST EXPANSION PROJECT			
Related party			
DAL Teknik	25.1	209,774	207,335
Other suppliers and contractors	25.2	73,654	101,599
		283,428	308,934

25.1. The above amount is payable in respect of supply of machinery and services rendered and is unsecured and interest free.

25.2. Includes Rs. 7.511 million (2006: Rs. 6 million) in respect of current portion of suppliers and contractors.

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006
26. TRADE AND OTHER PAYABLES			
Creditors		189,450	210,895
Accrued expenses		70,300	47,717
Advances from customers		88,459	23,935
Marking fee payable		1,990	315
Payable to provident fund		1,850	1,136
Deposits		8,955	1,580
Excise duty payable on cement		1,159	1,672
Royalty and excise duty		4,954	5,397
Workers' Profits Participation Fund	26.1	-	49,109
Withholding tax		804	1,961
Employees' compensated absences	26.2	14,425	16,190
Unclaimed dividend		3,505	1,794
Others	26.3	7,043	-
		392,894	361,701

26.1. Workers' Profit Participation Fund

Opening balance		49,109	20,732
Allocation for the year		-	49,109
Interest on funds utilized in the Company's business	35	4,236	1,701
		53,345	71,542
Payments made to the trustees of the fund		(53,345)	(22,433)
Closing balance		-	49,109

26.2. Employees' compensated absences

Opening balance		16,190	13,604
Expense for the year		1,984	5,572
		18,174	19,176
Payment made during the year		(3,749)	(2,986)
Closing balance		14,425	16,190

26.3. Includes Rs.5.05 million due to Mr. Manzoor Hayat Noon (a related party) in respect of payment made on behalf of the Company.

27. SHORT TERM MURABAHA

Represents Murabaha finance facility obtained by the Company from Bank Islami Pakistan Limited, carrying profit rate of 3.5 percent above 6 months KIBOR with a floor of 13 percent and cap of 18 percent. The facility is repayable upto November 22, 2007 of ranking charge of Rs.134 million on Fixed Assets (land, building and plant and machinery) of the Company, and hypothecation of Rs.120 million of stocks in trade and receivables of the Company.

28. CURRENT PORTION OF LONG TERM LIABILITIES

long-term financing		105,745	40,740
long term loans		572,086	354,170
liabilities against assets subject to finance lease		225,440	133,585
deferred liabilities		247,501	130,390
		1,150,772	658,885

29. CONTINGENCIES AND COMMITMENTS

Contingencies

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

Notes to the Financial Statements

for the year ended June 30, 2007

- 29.2. Demands of sales tax including additional tax on lime stone and clay amounting to Rs. 16.465 million, Rs 4.518 million and Rs. 8.292 million were raised by the Sales Tax Department. The case for Rs. 16.465 million has been decided by the Supreme Court of Pakistan and remanded back to the Lahore High Court while the case for Rs. 4.518 million is pending in the Lahore High Court. The case for Rs. 8.292 million is decided by the Collector of Sales Tax (Appeal) on February 03, 2007 partially reducing the value of sales tax amount from Rs. 8.292 million to Rs. 2.80 million. The Company had deposited Rs. 1.50 million and filed an appeal against the order of Collector Sales Tax (Appeal) in Sales Tax Tribunal, Lahore. The hearing of the case is yet to be fixed.
- 29.3. 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.
- 29.4. The Chairman, Area Electricity Board, Faisalabad, charged surcharge of Rs. 2 million. An appeal was filed with Muhtasib and the judgment was made against the Company. Appeal has been filed by the Company in the Lahore High Court against the above decision. The management anticipates a favorable outcome of the case, hence, no provision has been made in these financial statements.
- 29.5. The Collector of Sales Tax, Faisalabad region had levied additional tax on account of advances received from customers amounting to Rs. 7.410 million. The case was decided by the Lahore High Court in the Company's favour. However the Department has filed an appeal against the decision in the Supreme Court of Pakistan which is still pending. Based on the grounds of the case, the management anticipates a favorable outcome of the case, hence, no provision has been made in these financial statements.
- 29.6. The Collector of Sales Tax, Faisalabad has disallowed input tax paid on machinery amounting to Rs. 4.178 million. The Company has filed an appeal which is pending in Lahore High Court. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.
- 29.7. The Collector of Sales Tax, Faisalabad has raised a demand of Rs. 17.202 million as sales tax on lime stone and clay for the period July 1999 to August 2000 and on account of non payment of sales tax on purchase of fixed assets. The case is pending in the Customs Appellate Tribunal, Lahore. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

Commitments

- 29.8. Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs. 52.002 million (2006: 55.847 million).

	2007	2006
	(Rupees in '000')	
30. GROSS TURNOVER		
- Local	4,276,682	3,754,854
- Export	371,973	398,720
	4,648,655	4,153,574

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006
31. COST OF SALES			
Raw material consumed	31.1	266,895	145,854
Packing material consumed		249,081	138,757
Fuel and power		1,596,171	1,002,810
Stores and spare parts consumed		123,061	53,323
Salaries, wages and benefits	31.2	190,478	150,995
Travelling and conveyance		16,122	9,119
Insurance		10,072	6,072
Repairs and maintenance		46,517	21,472
Communication		2,894	2,141
Fee and subscription		3,436	2,218
Depreciation	5.1.2	357,681	269,459
Other manufacturing expenses		10,045	6,142
		2,605,558	1,662,508
Total cost added		2,872,453	1,808,362
Work in process			
Opening balance		44,196	25,053
Closing balance of trial production of Line II		-	19,924
Closing balance		(110,600)	(44,196)
		(66,404)	781
Cost of goods manufactured		2,806,049	1,809,143
Finished goods			
Opening balance		16,495	21,193
Closing balance of trial production of Line II		-	31,443
Closing balance		(9,235)	(16,495)
		7,260	36,141
		2,813,309	1,845,284
31.1. Raw material consumed			
Opening balance		23,609	3,433
Quarrying / transportation / purchases (net of consumption charged to trial runs)	5.1.2	259,766	168,848
		283,375	172,281
Closing balance		(16,480)	(23,609)
		266,895	148,672
Duty drawback on exports		-	(2,818)
		266,895	145,854
31.2. Includes staff retirement benefits as follows:			
Defined contribution plan		2,906	2,318
Defined benefit plan		11,189	7,850
		14,095	10,168

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000)	2006
32. DISTRIBUTION COSTS			
Salaries, wages and benefits	32.1	29,077	20,983
Travelling and conveyance		1,169	711
Vehicle running expenses		3,407	2,527
Communication		2,452	2,169
Printing and stationery		1,308	848
Rent, rates and taxes		1,768	2,152
Utilities		1,627	1,649
Repairs and maintenance		1,854	1,448
Legal and professional charges		1,342	1,733
Insurance		688	371
Fee and subscription		1,193	1,151
Advertisements / sales promotion		5,406	936
Entertainment		771	1,096
Depreciation	5.1.2	2,409	1,439
Others		3	7
		54,474	39,220

32.1. Includes staff retirement benefits as follows:

Defined contribution plan	986	776
Defined benefit plan	2,450	2,074
	3,436	2,850

33. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	33.1	52,268	41,966
Travelling and conveyance		5,155	3,129
Vehicle running expenses		3,256	3,220
Communication		2,943	3,057
Printing and stationery		1,628	1,769
Rent, rates and taxes		4,142	4,176
Utilities		2,660	1,991
Repairs and maintenance		1,792	1,540
Legal and professional charges		1,791	3,436
Insurance		837	597
Auditors' remuneration	33.2	1,289	1,136
Fee and subscription		3,180	1,547
Depreciation	5.1.2	4,436	3,737
Entertainment		828	1,985
Others		671	713
		86,876	73,999

33.1. Includes staff retirement benefits as follows:

Defined contribution plan	2,092	1,436
Defined benefit plan	4,415	4,888
	6,507	6,324

33.2. Auditors' remuneration

Annual audit fee	500	500
Fee for special certifications including half yearly review fee	690	520
Out of pocket expenses	99	116
	1,289	1,136

Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 (Rupees in '000')	2006
34. OTHER OPERATING INCOME			
Reversal of unrealized loss on fair value of derivative		-	30,716
Gain on settlement of derivative		-	38,250
Profit on bank deposits		600	711
Interest on long term loans		285	278
Scrap sales		7,813	488
Gain on disposal of fixed assets	5.1.3	2,720	480
Others		269	240
		11,687	71,163

35. FINANCE COSTS

Mark-up on:			
Long term financing		53,488	13,176
Long term loans - local currency		137,576	121,899
Lease financing		87,287	14,607
		278,351	149,682
Profit on Musharaka and Murabaha financing		20,054	-
Interest on:			
Long term loans - foreign currency		28,222	30,362
Workers' Profits Participation Fund	26.1	4,236	1,701
		32,458	32,063
Fee, charges and commission			
Service charges		10,781	11,551
Bank charges		4,022	2,438
Others		1,230	1,215
		16,033	15,204
Advisory, arrangement and upfront fee		18,952	-
		365,848	196,949

36. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	26.1	-	49,109
Exchange loss - net		5,322	5,104
Donations	36.1	379	883
Loss on insurance claim		422	-
Surcharge on royalty		-	3,466
Reversal of provision of duty drawback on export		985	-
		7,108	58,562

36.1. No directors or sponsors have any interest in any donee to whom donations were made.

37. TAXATION

Current	37.1	(18,300)	(17,718)
Deferred		109,247	(239,371)
		90,947	(257,089)

37.1. 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 loss is not reported.

38. BASIC AND DILUTED EARNINGS PER SHARE

(Loss) / profit after taxation (Rupees in '000)		(93,494)	675,982
Weighted average number of ordinary shares in issue (in '000)		169,814	169,814
			Restated
Basic (loss) / earnings per share (Rupees)		(0.55)	3.98

Notes to the Financial Statements

for the year ended June 30, 2007

38.1. In the year 1994-95, the Corporate Law Authority (now SECP) disallowed IDBP to exercise option of converting its outstanding loan amount into ordinary shares of the Company and in 2004 the Company reached a rescheduling agreement with BEL which was approved by the High Court of Sindh whereby the option of converting its loan amount into ordinary shares has ceased. The Company therefore considers that there is no diluting effect on the earnings of the Company and accordingly has not calculated and disclosed diluted earnings per share in these financial statements.

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Company has a policy whereby all transactions with related parties, are entered into at arm's length prices using the permissible method of pricing. The transactions with related parties are as follows:

Relationship	Nature of transactions	2007 (Rupees in '000')	2006
Associated Companies			
- Common Directorship			
First Dawood Investment Bank	Repayment of lease financing	25,550	4,216
	Short term borrowings repaid	-	10,000
	Finance cost paid	18,256	25,032
BRR International Modaraba	Repayment of lease financing	8,547	4,169
	Finance cost paid	5,440	3,999
Guardian Modaraba	Arrangements under lease financing	-	50,000
	Repayment of lease financing	9,026	3,578
	Short term borrowings obtained	-	10,000
	Short term borrowings repaid	-	20,000
	Finance cost paid	5,285	2,282
DAL Teknik, Turkey	Payment against purchase of plant and machinery	8,726	329,455
DAL Elektrik, Turkey	Payment against purchase of plant and machinery	-	68,833
Retirement benefit fund			
Provident Fund	Contribution	5,984	4,530

Bonus shares have also been issued to related parties during the year in addition to the above transactions.

39.1. Certain assets are being used by the employees of the company in accordance with their terms of employment. Further, there are no transactions with key management personnel other than under the terms of employment as disclose in note 45 of the financial statements.

39.2. The related party status of outstanding receivables and payables as at June 30, 2007 are disclosed in respective notes to the financial statements.

40. LIQUIDITY RISK

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

41. YIELD / MARK-UP RATE RISK

Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/mark-up rate risk in respect of the following:

Notes to the Financial Statements

for the year ended June 30, 2007

	2 0 0 7				
	Total	Exposed to yield / mark up rate risk			Not exposed to yield / mark up rate risk
		Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees in '000')			
Financial Assets					
Loans	8,860	1,611	7,171	8,782	78
Deposits	91,617	-	-	-	91,617
Trade debts	29,717	-	-	-	29,717
Loans and advances	29,341	-	-	-	29,341
Other receivables	229	-	-	-	229
Cash and bank balances	305,492	6,280	-	6,280	299,212
Total	465,256	7,891	7,171	15,062	450,194
Financial Liabilities					
Term financing	178,348	105,745	72,603	178,348	-
Liabilities against assets subject to finance lease	712,017	225,440	486,577	712,017	-
Long term Musharaka finance	50,000	50,000	-	50,000	-
Deposits	5,247	-	-	-	5,247
Long term creditor	21,497	-	-	-	21,497
Deferred liabilities	931,347	152,012	387,031	539,043	392,304
Long term loans	2,865,795	572,086	2,293,709	2,865,795	-
Creditors against expansion project	283,428	-	-	-	283,428
Trade and other payables	383,787	1,850	-	1,850	381,937
Murabaha finance	99,720	99,720	-	99,720	-
Interest / mark up accrued	72,177	-	-	-	72,177
Total	5,603,363	1,206,853	3,239,920	4,446,773	1,156,590

	2 0 0 6				
	Total	Exposed to yield / mark up rate risk			Not exposed to yield / mark up rate risk
		Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees in '000')			
Financial Assets					
Loans	10,212	1,514	4,772	6,286	3,926
Deposits	62,366	-	-	-	62,366
Trade debts	12,490	-	-	-	12,490
Other receivables	1,756	-	-	-	1,756
Cash and bank balances	71,905	40,188	-	40,188	31,717
Total	158,729	41,702	4,772	46,474	112,255
Financial Liabilities					
Term financing	471,403	40,740	430,663	471,403	-
Liabilities against assets subject to finance lease	587,655	133,585	454,070	587,655	-
Long term Musharaka finance	50,000	-	50,000	50,000	-
Deposits	5,627	-	-	-	5,627
Long term creditor	29,008	-	-	-	29,008
Deferred liabilities	993,257	77,006	500,540	577,546	415,711
Long term loans	2,166,233	354,170	1,812,063	2,166,233	-
Creditors against expansion project	308,934	-	-	-	308,934
Trade and other payables	287,729	1,135	-	1,135	286,594
Interest / mark up accrued	42,463	-	-	-	42,463
Total	4,942,309	606,636	3,247,336	3,853,972	1,088,337

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

42. 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. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy.

Notes to the Financial Statements

for the year ended June 30, 2007

43. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where payables 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. 674.802 million (2006: Rs. 818.255 million) and interest payable on foreign currency loans amounting to Rs. 120.195 million (2006: Rs. 103.996 million) as disclosed in note 23 to these financial statements. Foreign currency liabilities are also exposed to risk amounting to Rs. 209.774 million (2006: Rs. 207.335 million) as shown in note 25 to these financial statements. The management has assessed that arranging foreign currency hedging by paying exchange risk fee will be more expensive than self assuming the risk. This risk management strategy is reviewed each year on the basis of market conditions.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

45. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Executives	
	2007	2006	2007	2006
Total number	1	1	15	13
	(Rupees in '000)			
Basis salary	4,200	3,929	17,637	15,973
Contribution to provident fund trust	420	393	1,764	1,597
Contribution to gratuity	508	508	2,654	1,930
Allowances & benefits:				
- House rent	1,890	1,768	7,937	7,188
- Utilities	609	560	1,959	2,027
- Cost of living allowance	-	-	64	50
- Medical	609	560	2,494	2,397
- Leave fare assistance	-	508	2,212	1,935
- Bonus / ex gratia	-	376	1,432	1,706
- Others	-	-	3,238	1,473
	8,236	8,602	41,391	36,276

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.

	2007 Mt. Tons	2006 Mt. Tons
46. PRODUCTION CAPACITY		
Rated capacity - clinker		
- Line I (after optimization)	705,000	705,000
- Line II	1,290,000	1,290,000
	1,995,000	1,995,000
Actual production - clinker		
- Line I	555,331	709,702
- Line II	682,837	59,694
	1,238,168	769,396
Sales - cement		
- Local	1,136,958	716,728
- Export	130,284	118,028
	1,267,242	834,756

The Company has not utilised its full production capacity due certain plant modifications during the year.

Notes to the Financial Statements

for the year ended June 30, 2007

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 03, 2007 by the Board of Directors of the Company.

48. Accounting standards not yet effective

48.1 The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS-1 Presentation of Financial Statements -amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS-23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS-41, Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS-2, Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS-3, Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS-6, Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

48.2 Amendment to existing standards effective in 2006

IAS-19 (Amendments), Employees Benefits, is mandatory for the Company's accounting periods beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the formal and extent of disclosures presented in the financial statements.

49. CORRESPONDING FIGURES

Certain prior year's figures have been reclassified consequent upon certain changes in current year's presentation for more appropriate comparison. Material reclassification is as follow:

Component	Reclassification		(Rs. in '000)
	From	To	
Balance sheet	Loans and advances	Creditors against expansion project	3,929
	Trade and other payables	Creditors against expansion project	6,745
	Taxation - net	Sales tax - net	3,531

50. GENERAL

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


CHIEF EXECUTIVE


CHAIRMAN

Pattern of Holding of Shares

as at June 30, 2007

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	%
	FROM	TO		
1897	1	100	58,261	0.03
2060	101	500	490,021	0.29
1749	501	1000	1,234,695	0.73
1725	1001	5000	3,569,289	2.10
273	5001	10000	1,874,303	1.10
101	10001	15000	1,211,196	0.71
54	15001	20000	931,290	0.55
30	20001	25000	683,815	0.40
16	25001	30000	436,739	0.26
14	30001	35000	460,349	0.27
9	35001	40000	340,840	0.20
9	40001	45000	381,899	0.22
13	45001	50000	638,908	0.38
10	50001	55000	522,496	0.31
4	55001	60000	227,555	0.13
8	60001	65000	504,202	0.30
6	65001	70000	402,342	0.24
4	70001	75000	294,525	0.17
5	75001	80000	386,483	0.23
7	80001	85000	581,197	0.34
2	85001	90000	174,663	0.10
2	90001	95000	188,653	0.11
2	100001	105000	209,011	0.12
1	105001	110000	108,600	0.06
1	110001	115000	114,962	0.07
3	115001	120000	357,243	0.21
4	120001	125000	493,011	0.29
3	130001	135000	397,353	0.23
1	135001	140000	138,100	0.08
1	140001	145000	141,500	0.08
2	150001	155000	301,753	0.18
1	160001	165000	163,718	0.10
2	170001	175000	346,700	0.20
1	175001	180000	180,000	0.11
1	180001	185000	185,000	0.11
1	195001	200000	200,000	0.12
3	200001	205000	602,114	0.35
1	205001	210000	206,933	0.12
1	235001	240000	236,500	0.14
1	240001	245000	244,813	0.14
1	250001	255000	250,213	0.15
3	260001	265000	786,840	0.46
1	270001	275000	274,343	0.16
1	275001	280000	276,500	0.16
1	295001	300000	300,000	0.18
1	300001	305000	300,035	0.18
1	305001	310000	306,000	0.18
1	310001	315000	311,400	0.18
1	320001	325000	325,000	0.19
1	350001	355000	351,542	0.21
1	355001	360000	357,200	0.21
1	360001	365000	360,136	0.21
2	365001	370000	736,334	0.43
1	395001	400000	400,000	0.24
1	400001	405000	400,541	0.24
1	425001	430000	429,573	0.25
2	455001	460000	918,351	0.54
1	470001	475000	475,000	0.28
1	490001	495000	491,823	0.29
1	510001	515000	513,099	0.30

Pattern of Holding of Shares

as at June 30, 2007

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	%
	FROM	TO		
1	560001	565000	564,000	0.33
1	570001	575000	574,814	0.34
1	660001	665000	661,208	0.39
1	665001	670000	669,737	0.39
1	685001	690000	687,147	0.40
1	695001	700000	700,000	0.41
1	785001	790000	786,800	0.46
2	795001	800000	1,598,000	0.94
1	800001	805000	800,942	0.47
1	805001	810000	808,100	0.48
1	995001	1000000	1,000,000	0.59
1	1080001	1085000	1,082,182	0.64
1	1110001	1115000	1,114,738	0.66
1	1135001	1140000	1,137,858	0.67
1	1385001	1390000	1,389,231	0.82
1	1730001	1735000	1,730,067	1.02
1	1950001	1955000	1,952,000	1.15
1	2000001	2005000	2,002,500	1.18
1	2075001	2080000	2,079,040	1.22
1	2815001	2820000	2,819,089	1.66
1	2875001	2880000	2,878,400	1.70
1	3255001	3260000	3,256,299	1.92
1	3405001	3410000	3,407,542	2.01
1	4840001	4845000	4,840,215	2.85
1	7640001	7645000	7,644,078	4.50
1	9500001	9505000	9,504,000	5.60
1	16435001	16440000	16,435,531	9.68
1	17335001	17340000	17,338,496	10.21
1	51565001	51570000	51,567,739	30.37
8082			169,814,715	100

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, and their spouse and minor children	73,797,262	43.46
Associated Companies, undertakings and related parties	3,256,299	1.92
NIT	2,196,920	1.29
ICP	48,797	0.03
Banks Development Financial Inst. Non Banking Financial Institutions	24,901,808	14.66
Insurance Companies	131,012	0.08
Modarabas and Mutual Funds	6,024,204	3.55
Share holders holding 10%	69,906,235	41.17
General Public		
a: Local	24,633,319	14.51
b: Foreign	86,340	0.05
OTHERS	34,738,754	20.46
Joint Stock Companies / Cooperative Societies / Trusts / Govt. Institutions		

Form of Proxy

Registered Folio No./
CDC Account No. _____

I/We _____

of _____

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

_____ Name

of _____

Address

or failing him _____

Name

of _____

Address

(also being a member of the company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 21st Annual General Meeting of the Company to be held on Monday, October 31, 2007 at 11:30 a.m. at 66, Garden Block, New Garden Town, Lahore and at any adjournment thereof.

As witness my hand this _____ day of _____ 2007.

Signature of Shareholder

Revenue
Stamp

Witness 1

Witness 2

Signature _____

Signature _____

Name _____

Name _____

Address _____

Address _____

CNIC _____

CNIC _____

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
PIONEER CEMENT LIMITED
66, Garden Block, New Garden Town,
Lahore.
Phone: (042) 5831462-63

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

January 26, 2000

Circular No. 1 of 2000

Sub: GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

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

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

- (1) The company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.
- (2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- (3) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies

- (1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.
- (2) The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- (3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (4) The proxy shall produce his original NIC or original passport at the time of the meeting.
- (5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.