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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.



Quality Policy



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

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

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

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

Environmental Protection

Ensuring environment friendly operations, products and services.



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

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

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

Social Obligations

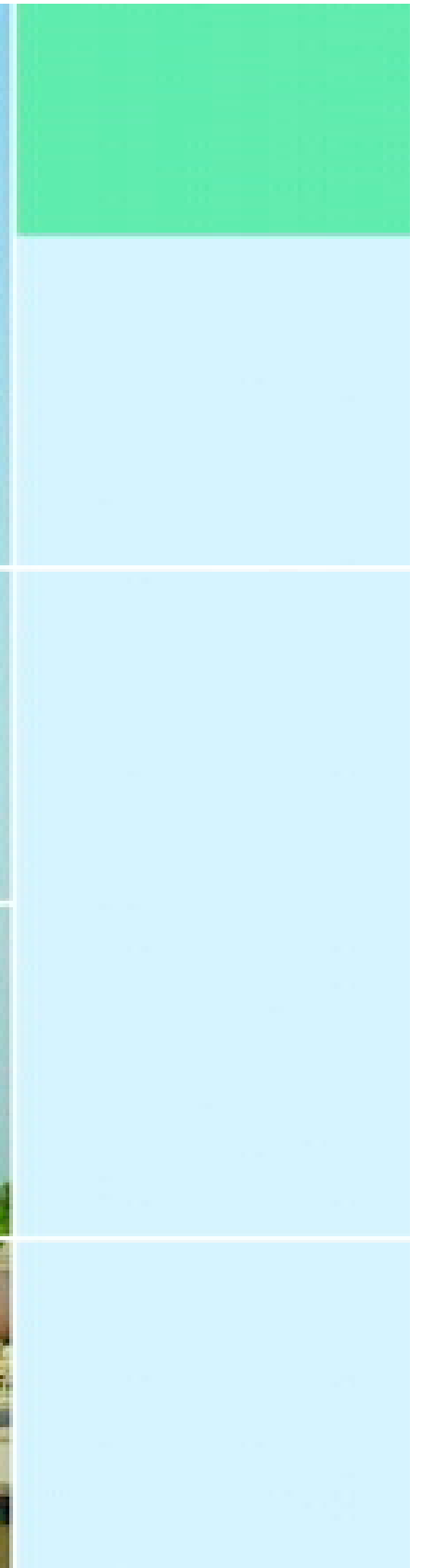
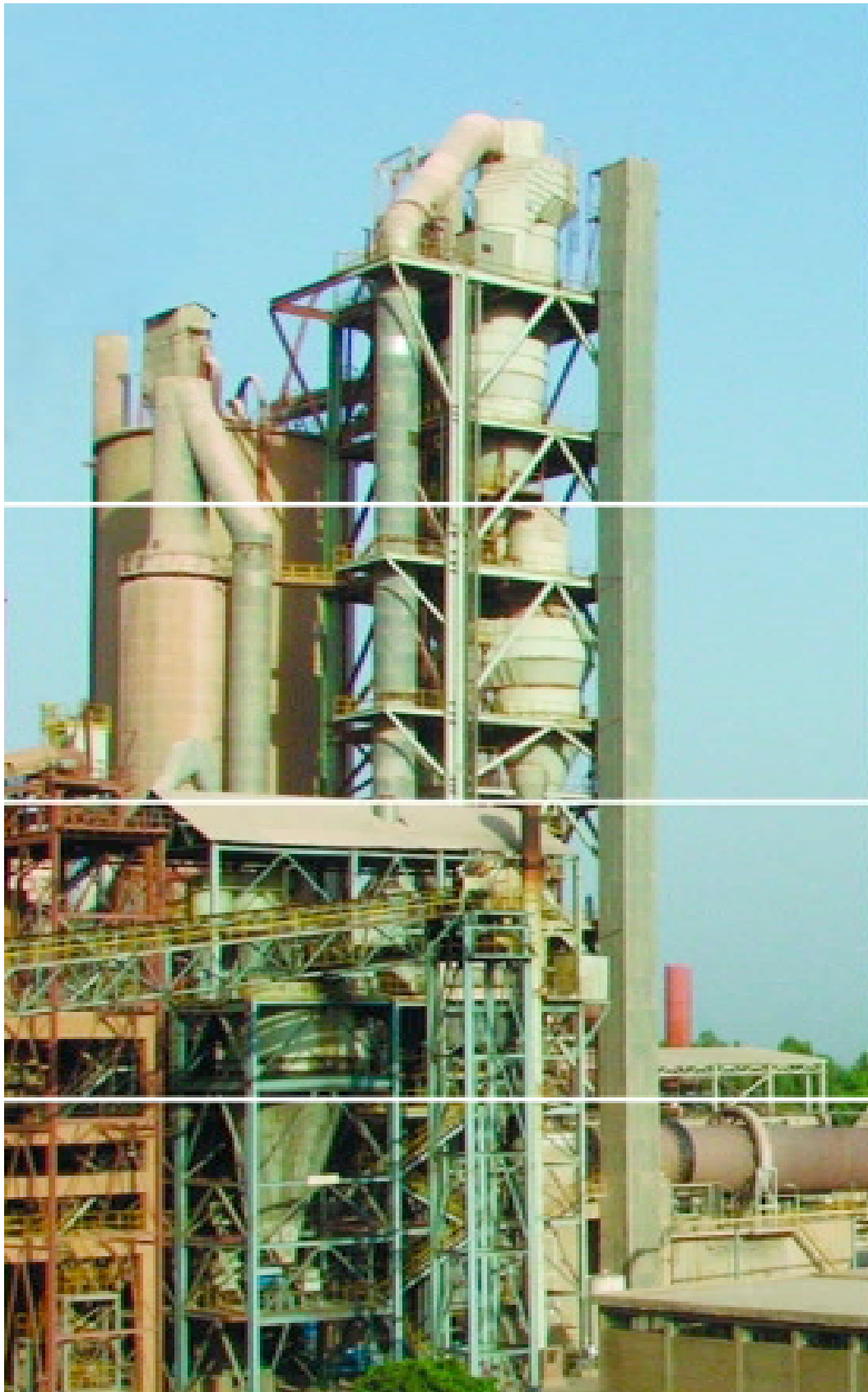


Pioneer Cement Limited has been giving due importance to its social obligations particularly in areas surrounding the factory:

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

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

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



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

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

Managing Director & CEO

Mr. Usman Masud Khan

Executive Director

Mr. Muhammed Saleem

Chief Financial Officer

Mr. Hyder Zaman Akhuzada

Director (Operations)

Mr. Muhammed Nadeem Malik

General Manager (Sales)

Mr. Jawaid Alam Khan

General Manager (SCM)

Col. (Rtd.) Abdul Khaliq

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

The Royal Bank of Scotland

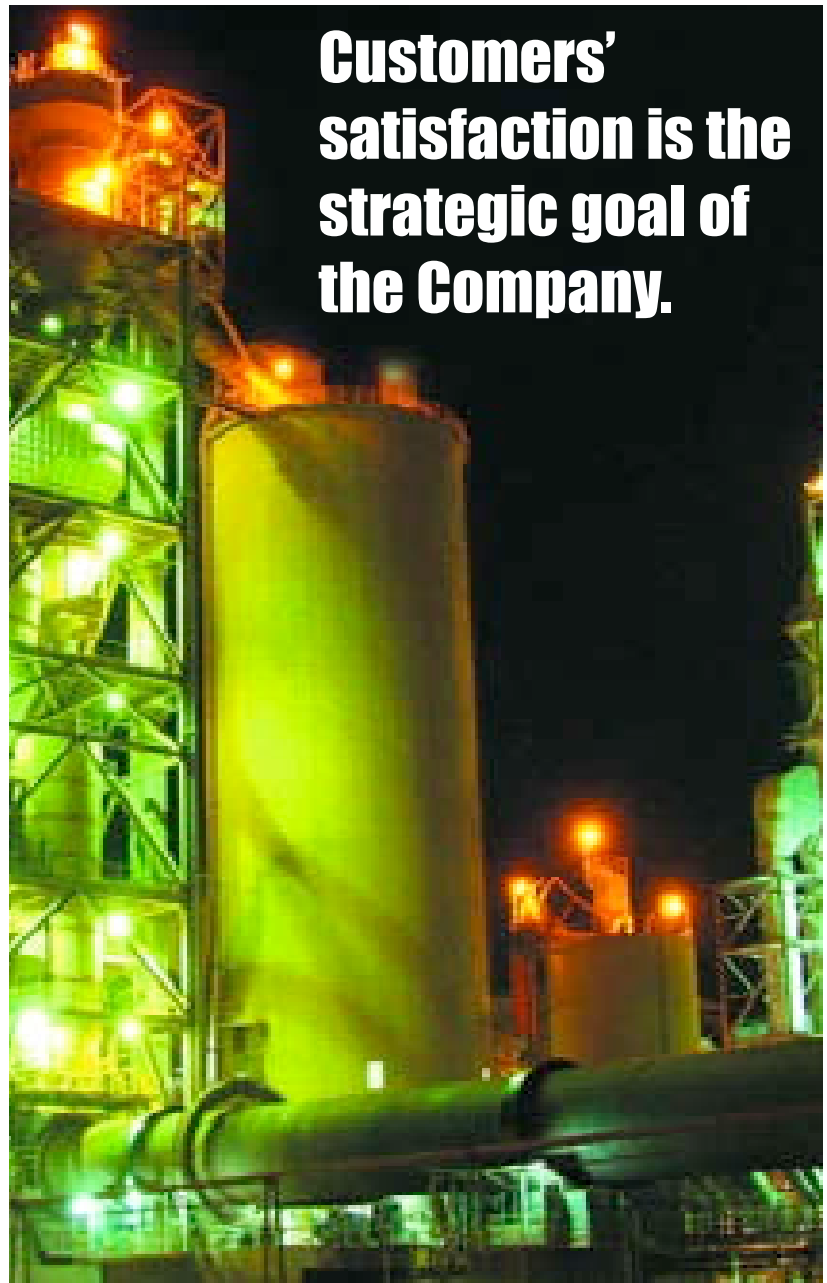
Askari Commercial Bank Limited

Bank Al-Habib Limited

Habib Bank Limited

United Bank Limited

MCB Bank Limited



Customers' satisfaction is the strategic goal of the Company.

HEAD OFFICE

7th Floor, Lakson Square Building

No.3, 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

		2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
PRODUCTION & SALES								
Clinker Production	Tons	1,640,092	1,238,168	769,397	690,529	458,545	441,321	439,221
Cement Production	Tons	1,492,353	1,263,625	815,231	720,214	483,742	504,947	401,050
Cement Sales - Domestic Market	Tons	1,337,225	1,141,267	716,728	553,461	478,805	503,284	396,853
- Export (Cement/Clinker)	Tons	447,789	132,284	118,028	166,486	3,100	1,013	-
		1,785,014	1,273,551	834,756	719,947	481,905	504,297	396,853
Capacity Utilization (based on installed capacity)		82%	62%	77%	114%	77%	80%	64%
OPERATING RESULTS:								
Gross Sales	Rs. \Mn.	6,607	4,649	4,154	2,800	1,958	1,798	1,632
Excise Duty & Sales Tax	Rs. \Mn.	1,705	1,415	1,027	734	614	730	616
Net Sales	Rs. \Mn.	4,854	3,185	3,076	2,009	1,323	1,031	992
Gross Profit	Rs. \Mn.	513	372	1,231	637	387	114	268
Net Profit/(Loss) Before Tax	Rs. \Mn.	(574)	(184)	933	394	238	(152)	50
Net Profit/(Loss) After Tax	Rs. \Mn.	(179)	(93)	676	332	424	(157)	44
FINANCIAL POSITION:								
Assets Employed By:								
Operating Assets	Rs. \Mn.	9,571	7,511	7,683	6,382	3,657	3,648	3,806
Current Assets	Rs. \Mn.	787	966	618	463	395	276	347
Other Assets	Rs. \Mn.	115	133	104	44	223	24	28
	Rs. \Mn.	10,473	8,610	8,405	6,888	4,275	3,948	4,181
Assets Financed By:								
Shareholders' Equity	Rs. \Mn.	2,305	2,096	2,322	1,621	545	121	278
Surplus on Revaluation of Fixed Assets	Rs. \Mn.	2,240	574	605	629	-	-	-
Long Term Loan/Deposits	Rs. \Mn.	2,034	2,930	2,781	2,469	2,107	2,466	2,518
Deferred Liabilities	Rs. \Mn.	906	937	1,299	1,179	1,239	1,027	799
Current Maturity	Rs. \Mn.	1,598	1,151	659	117	196	202	224
Other Current Liabilities	Rs. \Mn.	1,390	922	739	872	188	131	362
		10,473	8,610	8,405	6,888	4,275	3,948	4,181
INVESTORS INFORMATION								
Gross Profit to Sales		10.6%	11.7%	40.0%	31.7%	29.2%	11.1%	27.02%
Net Profit/(Loss) Before Tax to Sales		-11.8%	-5.8%	30.3%	19.6%	18.0%	(14.8%)	5.0%
Net Profit/(Loss) After Tax to Sales		-3.7%	-2.9%	22.0%	16.5%	32.1%	(15.3%)	4.5%
Return on Assets		-1.7%	-1.1%	8.0%	4.8%	9.9%	(4.0%)	1.1%
Return on Paid up Capital		-9.0%	-5.5%	41.6%	21.5%	44.5%	(16.5%)	4.7%
Return on Equity		-7.8%	-4.4%	29.1%	20.5%	77.8%	(130.1%)	16.0%
Inventory Turnover	Times	63.2	18.7	19.1	24.1	18.4	18.9	7.0
Asset Turnover	Times	0.46	0.37	0.36	0.30	0.31	0.26	0.24
Debt/Equity Ratio		31:69	52:48	48:52	52:48	86:14	97:3	93:7
Current Ratio without Project Liabilities		0.27	0.54	0.56	0.92	1.03	0.83	0.59
Current Ratio with Project Liabilities		0.26	0.47	0.44	0.47	-	-	-
Earning Per Share	Rs.	-0.93	-0.50	4.16	2.46	3.72	(1.65)	0.47
Market Value of Share (KSE)	Rs.	28.17	37.4	45.65	20.35	20.10	7.50	3.15
Price Earning Ratio		-30.29	-74.80	10.97	8.27	5.40	(4.55)	6.77

Notice of Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of Pioneer Cement Limited will be held at 66 Garden Block, New Garden Town, Lahore on Friday, 31 October, 2008 at 11:30 a.m. to transact the following business:-

1. To confirm the minutes of the annual general meeting held on 31 October, 2007.
2. To receive, consider and adopt the audited accounts for the year ended 30 June, 2008 and the reports of the directors and auditors thereon.
3. To appoint auditors for the year ending 30 June, 2009 and to fix their remuneration.
4. To elect seven directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984.
5. To transact any other business as may be placed before the meeting with the permission of the Chairman.

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

The names of the retiring directors are:

1. Mr. Manzoor Hayat Noon
2. Mr. K. Iqbal Talib
3. Mr. Adnan Hayat Noon
4. Mr. Salman Hayat Noon
5. Mr. Cevdet Dal
6. Mr. Etrat H. Rizvi
7. Mr. Saleem Shahzada

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

The share transfer books of the Company will remain closed from 23 October, 2008 to 31 October, 2008 (both days inclusive) for the purpose of holding the AGM.

By Order of the Board



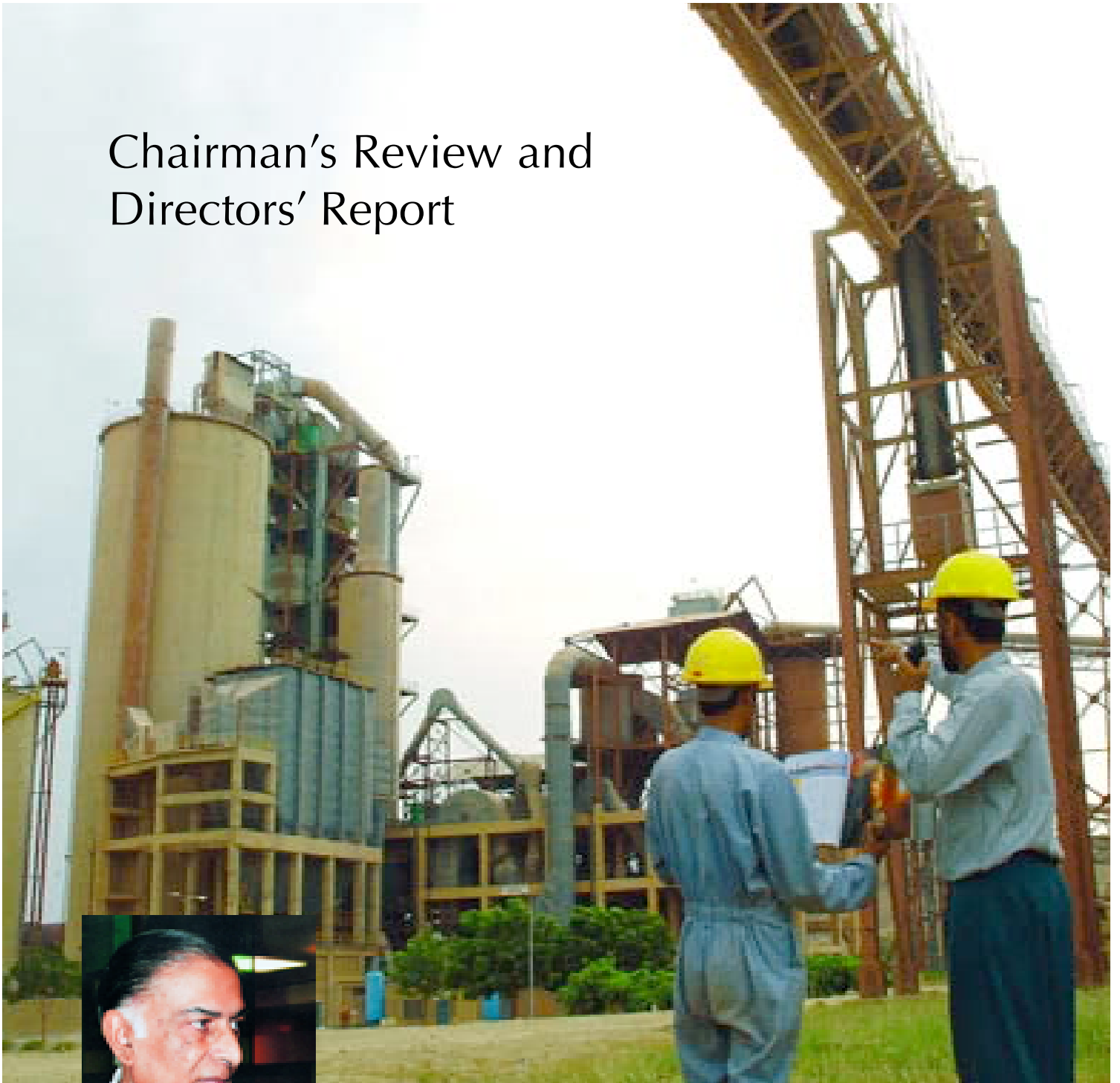
SYED ANWAR ALI
Company Secretary

07 October, 2008

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received by the Company at the registered office not less than 48 hours before the meeting. The shareholders through CDC are requested to bring original NIC/Passport for the purpose of identification to attend the meeting. Representatives of corporate members should bring the usual documents required for such purpose. The members are requested to follow the guidelines contained in Circular No.1 of 2000 dated 26 January, 2000 issued by SECP reproduced on reverse of the Proxy Form.
2. Shareholders are requested to immediately notify the change in address, if any.

Chairman's Review and Directors' Report



Mr. Manzoor Hayat Noon
Chairman

I give below my review and the directors' report to the shareholders for financial Year ended 30 June, 2008

together with the Company's audited financial statements.

Capacity expansions in the cement sector have created the supply glut in the country that inflicted a fall in prices due to severe price war. Despite the increase in dispatches, gross margins and profitability of the cement companies depicted massive decline owing to lower net

retention prices in local markets.

Further, due to unforeseen turbulent times such as political instability, inflation, uncertainty, continuous increase in rupee dollar parity and increase in power costs and at the same time, increased crude oil prices in international market put pressure on alternative fuel prices such as coal and natural gas, which acted as a double edged sword and caused the Company a loss of Rs. 180 million.

In addition to this, the increased KIBOR rates and massive devaluation of Rupee against Dollar and Japanese Yen at the end of the year also, was



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

the major factor contributing to the reported loss for the year. A huge impact of Rs.149 million of exchange losses has also affected bottom-line adversely.

Despite losses sustained, our renewed and synchronized efforts along with strategic decisions the Company operations showed improvement in terms of production and sales, especially the exports sales.

A slow but steady upward trend in local retention prices in the later half of the year, has been witnessed by the cement sector. This increase was however offset by the local and international inflation.

PRODUCTION

I am pleased to report that clinker production has risen from 1,238,168 tons in 2006-07 to 1,640,092 tons in 2007-08 registering an impressive growth of 32% as compared to last year, mainly on account of smooth running of the plant. Cement production, for the same period increased significantly by 18% from

1,263,626 tons to 1,492,353 tons. Capacity utilization of the plant on account of clinker and cement was 82% and 71% which is higher than last year's capacity utilization by 22% and 11% respectively, of Clinker and Cement.

Domestic Sales

During the period your Company stepped up its efforts to boost distribution network and was able to sell 1,334,354 tons during the year ended 30 June, 2008 in contrast to 1,141,267 tons sold during the preceding year registering an increase of 17%. Huge influx of new production capacities forced the manufacturers to reduce cement prices in order to achieve a certain capacity utilization level. The continued price war and the due impact of rising fuel and power cost had not been passed on to the end users and thus cement industry sustained huge losses and the sizeable liquidity crunch forced the manufacturers to end this price war. Hence, prices of cement which started improving from March-08 continued moving forward till the close of the financial year. Despite depression caused due to soaring coal prices and rising



power costs, the overall situation portrayed optimism.

Export of Cement / Clinker

Export of cement/clinker showed a phenomenal increase of 125% to reach 450,659 tons as against 132,284 tons exported during last year. It comprised 157,228 tons cement and 293,431 tons clinker as compared with last year's export of 130,284 tons cement and 2000 tons clinker. The Middle East has emerged as the largest potential buyer of clinker due to depleted Limestone reserves and idle installed grinding capacities. This growth was also backed by increased construction in India, Middle East and Afghanistan. India has emerged as a large potential importer of cement. Its retention price is better than other export markets which will help us improve our gross margin.

Future Outlook

We are confident that recovery phase for cement sector is just around the corner, as high demand period is about to begin. Cement dispatches for the first quarter signal strong demand growth in coming months, during 4QFY08. On the export front things are looking bright as the Company has received queries from new buyers from Russia, Central Asia, Madagascar and Nigeria,

apart from strong demand from the conventional export markets. Key risks still remain such as frequent fallout and deterioration in country's political/law and order situation, PSDP allocation and further increase in coal prices.

Furthermore, our concerted efforts for reaching newer markets are likely going to bring rewarding results.

Contribution to National Exchequer

Your Company has contributed Rs.1,074.667 million to the National Exchequer during the year under review in the shape of Excise Duty and Sales Tax.

Corporate Social Responsibilities

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

Provident Fund / Gratuity Scheme

The Company has been maintaining Provident Fund and Gratuity Fund; the same has been duly recognized by the Tax Authorities.

Corporate Social Responsibilities

The Company firmly believes that Corporate Sector should play an active role in the discharge of its responsibilities towards society. The additional earnings expected from the expansion will enable the management to make the required headway in this direction.

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, 2008 is Rs. 66 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	3
Mr. Adnan Hayat Noon	2
Mr. Salman Hayat Noon	5
Mr. Cevdet Dal	1
Mr. Etrat Hussain Rizvi	5
Mr. Saleem Shahzada	4
Mr. Wajahat A. Baqai	3
Mr. Rafique Dawood	5

Shareholding

Aggregate Number of Shares held by:

i) Directors/CEO and their spouse and minor children

Name	Own Self	Spouse	Minor Children
Mr. Manzoor Hayat Noon	79,639,825	38,650	Nil
Mr. Javed Ali Khan	2,442,872	Nil	Nil
Mr. K. Iqbal Talib	1,175,000	Nil	Nil
Mr. Adnan Hayat Noon	80,071	Nil	Nil
Mr. Salman Hayat Noon	77,367	Nil	Nil
Mr. Cevdet Dal	2,587,640	Nil	Nil
Mr. Etrat Hussain Rizvi	7,736	Nil	Nil
Mr. Saleem Shahzada	16,243	Nil	Nil
Mr. Rafique Dawood (FDIB Nominee)	19,340	Nil	Nil
Mr. Wajahat A. Baqai (NBP Nominee)	Nil	Nil	Nil

The above shareholding includes 17.5% Right Shares allotted by the Company during the year.

ii) **Executives Detail:**

Mr. Usman Masud Khan	7,129
Syed Nur ul Ibad Rizvi	192,368
Total:	199,497

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

Mr. Manzoor Hayat Noon, Chairman 79,639,825 shares

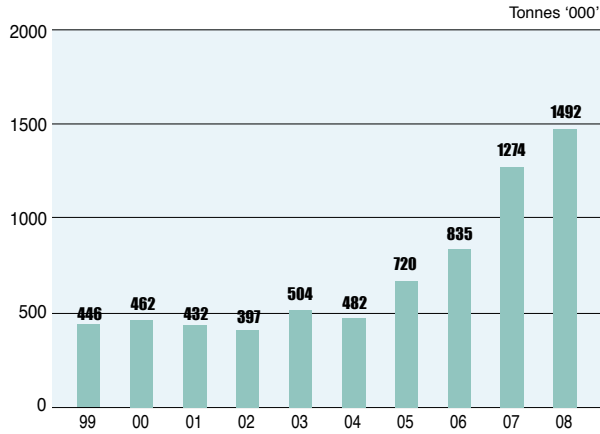
iv) Trading in the shares by the Directors, CEO, CFO and Company Secretary

	Sale	Purchase
Mr. Manzoor Hayat Noon	2,500,000	
Mr. Cevdet Dal		2,500,000
Mr. Iqbal Talib	389,231	
Mr. Saleem Shahzada	2,188,669	2,067,725

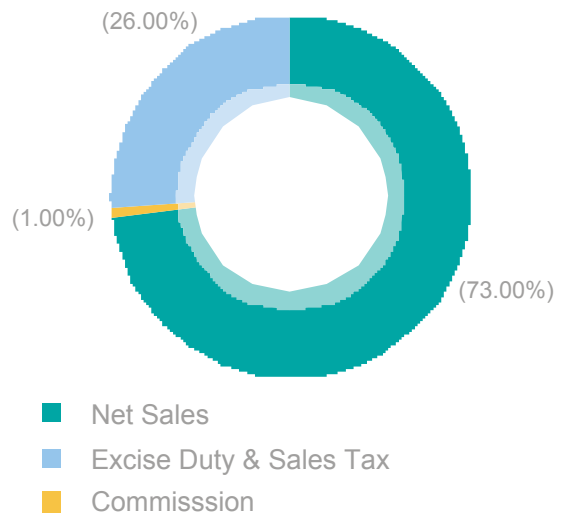
v) Shareholding of CEO in associated company's shareholding

Name of Associated Companies	No of Shares
1. Noon Sugar Mills Ltd	3,083
2. Noon Pakistan Ltd	5,232
3. Noon Pakistan – Preference Shares	720

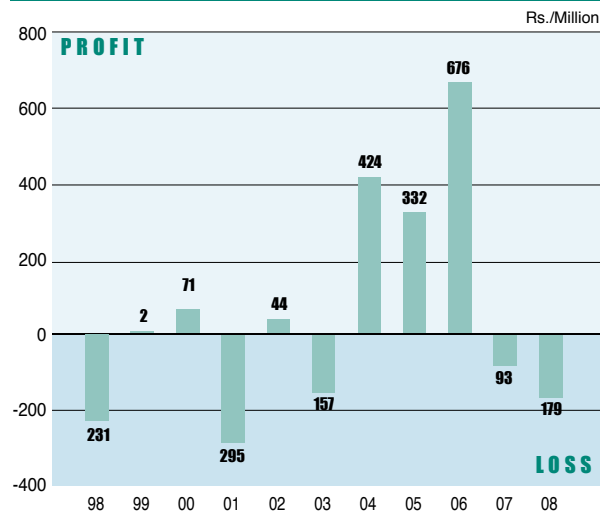
VOLUME OF CEMENT SALES



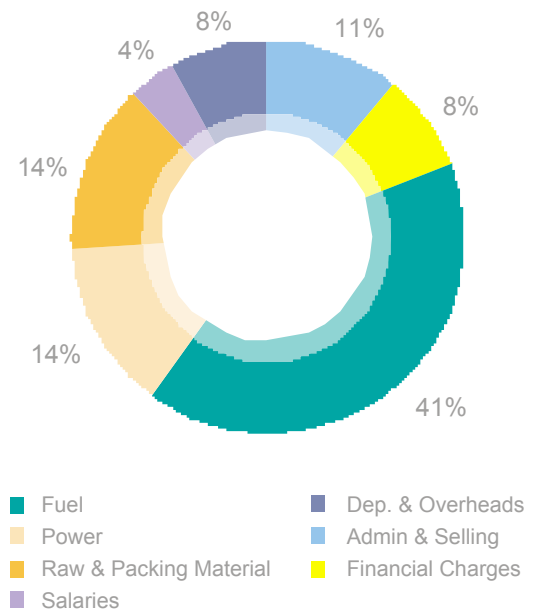
BREAK-UP OF REVENUE 2007-8



NET PROFIT (LOSS) AFTER TAX PIONEER CEMENT



BREAK-UP OF PRODUCTION COST 2007-8



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.

Health, Safety 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 environment and safety aspects are at the core of management priorities.

Dust Emission

Dust Collectors installed at several 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



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

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 points 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 has offered their services for another term.

Acknowledgement

We give high value of the customer's 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, Saudi Pak Industrial & Agricultural Investment Co (Pvt) Ltd., The Bank Of Punjab, 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, contractors and suppliers for their cooperation. Thanks are also due to the employees for their dedication and hard work

Mr. Manzoor Hayat Noon
Chairman

Compliance with Best Practices of Transfer Pricing

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

On Behalf of the Board



JAVED ALI KHAN
Chief Executive

October 07, 2008
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 atleast once in every quarter. Written notices of the Board meetings, alongwith 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 07, 2008
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, 2008.

CHARTERED ACCOUNTANTS

October 07, 2008
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pioneer Cement Limited** (the Company) as at June 30, 2008 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, except for the charges stated in note 4.3 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2008 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980,

KARACHI:
October 07, 2008

CHARTERED ACCOUNTANTS
The Chartered Accountants

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Balance Sheet

as at June 30, 2008

	Note	2008 (Rupees in '000')	2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	9,570,865	7,510,640
Long-term loans – secured	6	6,415	7,248
Long-term deposits	7	108,001	126,317
		9,685,281	7,644,205
CURRENT ASSETS			
Stores, spare parts and loose tools	8	427,193	416,586
Stock-in-trade	9	68,691	150,294
Assets held for disposal	10	-	32,847
Trade debts – unsecured, considered good		40,124	29,717
Loans and advances – considered good	11	63,048	24,629
Trade deposits and short-term prepayments	12	427	1,041
Other receivables	13	19,628	229
Current portion of long term deposits		18,290	1,950
Sales tax – net		-	3,507
Taxation – net		10,724	-
Cash and bank balances	14	139,183	305,492
		787,308	966,292
TOTAL ASSETS		10,472,589	8,610,497
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	15	2,500,000	2,500,000
Issued, subscribed and paid-up capital	16	1,995,324	1,698,148
Reserves		310,136	398,076
		2,305,460	2,096,224
SURPLUS ON REVALUATION OF FIXED ASSETS – net of tax	17	2,239,856	574,203
NON-CURRENT LIABILITIES			
Long-term financing – secured	18	76,851	72,603
Liabilities against assets subject to finance lease	19	237,795	486,577
Long-term Musharaka finance	20	-	50,000
Long-term deposits	21	1,841	5,247
Long-term creditor – unsecured	22	15,114	21,497
Deferred liabilities	23	906,186	937,178
Long-term loans – secured	24	1,701,777	2,293,709
		2,939,564	3,866,811
CURRENT LIABILITIES			
Creditors against expansion project	25	29,594	283,428
Trade and other payables	26	863,265	466,303
Accrued interest / mark up		110,932	72,176
Short-term Murabaha – secured	27	27,151	99,720
Short-term Musharaka – secured	28	40,000	-
Short-term finances	29	311,685	-
Current portion of long-term liabilities	30	1,597,817	1,150,772
Sales tax – net		7,265	-
Taxation – net		-	860
		2,987,709	2,073,259
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		10,472,589	8,610,497

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE

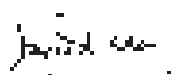

CHAIRMAN

Profit And Loss Account

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
Gross turnover	32	6,607,418	4,648,655
Excise duty [including special excise duty Rs. 34,456,911/- (2007: Nil)]		1,037,376	857,096
Sales tax		667,291	557,863
Commission		48,987	48,278
		1,753,654	1,463,237
Net turnover		4,853,764	3,185,418
Cost of sales	33	4,340,151	2,813,309
Gross profit		513,613	372,109
Distribution costs	34	466,047	108,405
Administrative expenses	35	89,978	86,876
Other operating income	36	(30,630)	(11,687)
Finance costs	37	413,203	365,848
Other operating expenses	38	149,029	7,108
Loss before taxation		(574,014)	(184,441)
Taxation	39	394,043	90,947
Loss after taxation		(179,971)	(93,494)
		(Rupees)	(Rupees) Restated
Loss per share - Basic and diluted	40	(0.93)	(0.50)

The annexed notes from 1 to 48 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN

Cash Flow Statement

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
Cash generated from operations	44	556,998	462,608
Workers' Profits Participation Fund paid		-	(53,345)
Income tax paid		(13,625)	(10,072)
Gratuity and compensated absences paid		(46,147)	(13,101)
Dividend paid		(349)	(160,772)
		(60,121)	(237,290)
Increase/(decrease) in long-term loans		988	(2,185)
Decrease in long-term deposits – net		(1,431)	(29,838)
Net cash inflow / (outflow) from operating activities		496,434	193,295
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(185,482)	(239,634)
Proceeds from sale of fixed assets		3,449	4,274
Net cash outflow from investing activities		(182,033)	(235,360)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right share issue		356,611	-
Long-term loans		(358,578)	734,662
Long-term finance		(59,821)	(293,055)
Proceeds from Murabaha finance		(72,570)	99,720
Liabilities against assets subject to finance lease - net of Repayments		(225,733)	124,362
Short-term finance		299,991	-
Musharaka finance		40,000	-
Finance cost paid		(507,496)	(390,037)
Net cash (outflow) / inflow from financing activities		(527,596)	275,652
Net (decrease) / increase in cash and bank balances		(213,195)	233,587
Cash and cash balances at the beginning of the year		305,492	71,905
Cash and cash balances at the end of the year		92,297	305,492
Cash and cash equivalents comprise:			
Cash and bank balances	14	139,183	305,492
Book overdrafts	26	(46,886)	-
		92,297	305,492

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHAIRMAN

Statement Of Changes In Equity

for the year ended June 30, 2008

	Issued, subscribed and paid-up capital	Capital reserve Share Premium	Revenue reserve Accumulated profit (Rupees in '000')	Total reserves	Total Equity
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
Issue of right share (note 1.4)	297,176	59,435	-	59,435	356,611
Loss for the year after taxation	-	-	(179,971)	(179,971)	(179,971)
Surplus on revaluation of fixed assets realized through incremental depreciation charged on Related assets for the year – net of tax	-	-	32,596	32,596	32,596
Balance as at June 30, 2008	1,995,324	59,435	250,701	310,136	2,305,460

The annexed notes from 1 to 48 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN

Notes To The Financial Statements

for the year ended June 30, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1. Pioneer Cement Limited (the Company) was incorporated in Pakistan as a public company limited by shares on February 09, 1986. Its shares are quoted on all stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of cement. The registered office of the Company is situated at 1st Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore. The Company's production facility is situated at Chenki, District Khushab.
- 1.2. The Company commenced its operation with an installed capacity of 2,000 tons per day clinker. During 2005, the capacity was optimized to 2,350 tons per day. During the year ended June 30, 2006, another production line of 4,300 tons per day clinker capacity was completed which started commercial operations from April 2006.
- 1.3. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to neighboring countries and curtailing financing cost by means of Sukook financing and convertible loan into equity.
- 1.4. During the year, the Company issued 29,717,575 ordinary shares of Rs. 10/- each as right shares at a premium of Rs. 2.0 per share in the ratio of 17.5 shares for each 100 shares held as approved by the Board of Directors in their meeting held on August 20, 2007. These shares are also listed on all the stock exchanges of Pakistan where the existing shares are listed and carry same characteristics as existing shares of the Company.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPERATION

These financial statements have been prepared under the 'historical cost' convention, except for revaluation of plant and machinery, freehold land and factory building, 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".

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Accounting standards not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	01 January 2009
IAS 23 - Borrowings Costs (Revised)	01 January 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	01 January 2009
IFRS 3 - Business Combinations	01 January 2009
IFRS 7 - Financial Instruments: Disclosures	01 July 2008
IFRS 8 - Operating Segments	01 January 2009
IFRIC 12 - Service Concession Arrangements	01 January 2009
IFRIC 13 - Customer Loyalty Programs	01 July 2008
IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	01 January 2008

The adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosure in the financial statements.

4.2. 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

Notes To The Financial Statements

for the year ended June 30, 2008

circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effective. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) recognition of taxation and deferred tax (note 4.14);
- (b) determining the residual values and useful lives of property, plant and equipment (note 4.4);
- (c) accounting for post employment benefits (note 4.11);
- (d) impairment of inventories / adjustment of inventories to their net realizable value (note 4.21); and
- (e) provision for doubtful debts / other receivables (note 4.7).

4.3. Change in accounting policies

During the year, the Company has changed its accounting policies in respect of the following:

4.3.1. Exchange differences

During the year, the Company has changed its accounting policy in respect of the exchange differences on translation of borrowings denominated in foreign currency. Effective 01 October 2007, the exchange differences arising on translation of foreign currency borrowings have been charged to profit and loss account in accordance with International Accounting Standards - 21 "The Effects of Changes in Foreign Exchange Rates". Previously, these exchange differences were capitalized / adjusted as part of cost of the related assets as allowed under Circular No. 1 of January 19, 2005 issued by the Securities and Exchange Commission of Pakistan. This change in accounting policy has been applied prospectively.

Had the above change in accounting policy not made, the carrying value of assets would have been higher by Rs.158.57 million and loss for the year would have been lower by the same amount.

4.3.2. Revaluation of freehold land and factory building

During the year, the Company has changed its accounting policy in respect of freehold land and factory building. Factory building are now carried at revalued amount less accumulated depreciation and accumulated impairment losses, if any, whereas, freehold land is carried at revalued amount. The change in accounting policy has been dealt with in accordance with International Accounting Standards - 16 "Property, Plant and Equipment" and the Companies Ordinance, 1984, as stated in notes 4.9 below. Previously, factory building was carried at its cost less accumulated depreciation and accumulated impairment losses, if any, and freehold land was stated at cost.

The above change would provide a more accurate reflection of the carrying value of the assets of the Company in these financial statements.

4.4. Property, plant and equipment

Operating fixed assets

Owned

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

Depreciation is calculated at the rates specified in note 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 (note 4.3.1). Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Assets' residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

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

Assets subject to finance lease

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

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.

Notes To The Financial Statements

for the year ended June 30, 2008

4.5. 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.

4.6. Stock-in-trade

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

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

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

4.7. Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. 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.

4.8. Cash and cash equivalents

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

4.9. Surplus on revaluation of fixed assets

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

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

4.10. Long-term and short-term borrowings

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

4.11. Employees' benefits

Defined benefit plan

The Company operates a funded gratuity scheme for all its permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee, subject to the completion of minimum qualifying period of service. Contributions are made to the fund on the basis of actuarial recommendations. During the year, the Company has changed the scheme from unfunded to funded gratuity scheme.

Actuarial valuation of defined benefit scheme is conducted annually and the most recent actuarial valuation was carried out as of June 30, 2008. The valuation uses projected unit credit method and a discount rate of 12 (2007: 10) percent per annum. It assumes that salaries will increase by 12 (2007: 10) percent per annum.

Actuarial gains and losses are accounted for in accordance with the minimum recommended approach under IAS-19 "Employee Benefits".

Notes To The Financial Statements

for the year ended June 30, 2008

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.

4.12. Trade and other payables

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

4.13. Provisions

Provisions are 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.

4.14. Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the 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 balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

4.15. Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees 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 (note 4.3.1).

4.16. Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

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

4.17. Derivative financial instruments

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

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

Notes To The Financial Statements

for the year ended June 30, 2008

4.18. Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the 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.

4.19. Revenue recognition

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

4.20. 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.

4.21. Impairment

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

4.22. Dividend and appropriation to reserves

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

4.23. Related party transactions

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2008 (Rupees in '000')	2007
Operating fixed assets	5.1	9,508,720	7,509,855
Capital work in progress	5.2	62,145	785
		<u>9,570,865</u>	<u>7,510,640</u>

Notes To The Financial Statements

for the year ended June 30, 2008

5.1. Operating fixed assets

	Note	COST / REVALUATION			ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
		As at July 01, 2007	Additions/transfers	Revaluation/reclassification (note 5.1.1&5.1.6) (Rupees in '000')	Disposals/transfers	As at July 01, 2007	Disposals/transfers For the year (Rupees in '000')	As at June 30, 2008	As at June 30, 2008
Owned									
Freehold land	5.1.1	31,411	-	29,325	-	-	-	-	60,736
Factory building on freehold land	5.1.1	1,196,050	132	372,250	-	5	445,072	504,923	1,073,699
			*10,190						
Office building		14,182	648	-	-	10	14,180	14,218	612
Roads and quarry development		56,008	-	-	-	20	14,002	25,204	30,804
Plant and machinery line I	5.1.1	4,952,242	12,308	61,219	-	Units of production method based on 25 years life	1,631,852	1,886,978	3,189,691
			*1,967	***15,678			****4,548		
			***33,255						
Plant and machinery line II	5.1.1	2,269,043	36,586	1,319,487	-	Units of production method based on 20 years life	28,353	80,123	3,611,416
			*25,200	***21,718			51,770		
			**19,505						
Coal firing system	5.1.1	264,089	*29,682	3,938	-	Units of production method based on 15 years life	68,535	93,586	204,123
Furniture and fixture		27,040	1,671	-	2,329	10	17,579	18,044	8,338
Office equipment		12,149	2,106	-	34	10	8,702	9,256	4,965
Computers and accessories		20,168	2,017	-	2,418	33	15,645	16,506	3,261
Vehicles		37,129	7,256	-	2,198	20	20,487	24,639	17,548
		8,879,511	95,979	1,786,219	6,979		2,264,407	2,673,477	8,205,193
			*67,039	***37,396				****4,548	
			**19,505						
Assets subject to finance lease									
Coal firing system	5.1.1	73,000	-	1,179	-	Units of production method based on 15 years life	6,701	13,037	61,142
Plant and machinery line II	5.1.1	829,818	*(19,505)	453,316	-	Units of production method based on 20 years life	12,770	30,101	1,233,528
Vehicles		12,731	-	-	-	20	1,327	3,874	8,857
		915,549	-	454,495	-		20,798	47,012	1,303,527
			**19,505)						
2008		9,795,060	95,979	2,240,714	6,979		2,285,205	435,306	9,508,720
			*67,039	***37,396				****4,548	

* Transferred from capital work-in-progress

** Transferred from assets subject to finance lease

*** Exchange loss capitalized

**** Transferred to assets subject to finance lease

***** Reclassified from assets held for disposal

Notes To The Financial Statements

for the year ended June 30, 2008

5.1. Operating fixed assets

	Note	COST / REVALUATION			ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
		As at July 01, 2006	Additions/ transfers	Revaluation/ reclassification (Rupees in '000')	Disposals/ transfers	As at June 30, 2007	As at July 01, 2006	Disposals/ transfers	As at June 30, 2007
Owned									
Freehold land		31,411	-	-	-	31,411	-	-	31,411
Factory building on freehold land		1,057,194	* 138,856	-	-	1,196,050	-	53,440	750,978
Office building		14,182	-	-	-	14,182	-	-	14,180
Roads and quarry development		56,008	-	-	-	56,008	-	11,202	42,006
Plant and machinery line I	5.1.1	4,974,032	311	-	*** 35,101	4,952,242	1,395,118	*1,587	1,631,852
		** 13,000							3,320,390
Plant and machinery line II		1,879,300	844	**** 288,413	-	2,269,043	3,701	-	28,353
		* 677,312							2,240,690
Coal firing system	5.1.1	264,089	-	-	-	264,089	46,368	-	68,535
									195,554
Furniture and fixture		20,827	6,703	-	-	27,040	16,783	139	17,579
Office equipment		10,036	2,313	-	-	12,149	8,419	150	8,702
Computers and accessories		17,224	3,339	-	-	20,168	13,188	236	15,646
Vehicles		39,080	4,103	-	-	43,183	20,077	5,060	20,487
		8,363,383	17,613	-	-	8,879,511	1,912,266	5,585	2,264,407
		* 816,168							6,615,104
		** 13,000							*1,587
Assets subject to finance lease									
Plant and machinery line I		13,000	-	-	** 13,000	-	1,157	*1,587	430
									-
Coal firing system		73,000	-	-	-	73,000	573	-	6,128
									66,299
Plant and machinery line II		541,405	*** 288,413	-	-	829,818	1,066	-	11,704
									817,048
Vehicles		627,405	12,731	-	-	640,136	-	-	1,327
		**** 288,413					2,796	*1,587	19,589
		8,990,788	30,344	-	-	9,051,476	1,915,062	5,585	375,728
		* 816,168							2,285,205
		** 13,000							7,509,855
		**** 288,413							

* Transferred from capital work-in-progress

** Transferred from assets subject to finance lease

*** Exchange loss capitalized

**** Transferred to assets subject to finance lease

Notes To The Financial Statements

for the year ended June 30, 2008

5.1.1. Plant & Machinery and Coal firing system of the Company were first revalued in financial year June 30, 2005 resulting in surplus of Rs. 968.173 million over its written down value of Rs. 3,032.848 million. The second revaluation, which also includes freehold land and factory buildings in addition to the plant and machinery and coal firing system, was carried out on June 30, 2008, by M/s. Hamid Mukhtar & Company, representatives in Pakistan for GAB Robins Group, International Loss Adjusters on the basis of market values. This valuation has created a surplus of Rs. 2,240.714 million over its written down value of Rs. 7,156.572 million. The values of the factory building and plant and machinery are being depreciated over the remaining useful lives of the assets at the date of revaluations. However, the current valuation was carried out on balance sheet date, hence, no depreciation is charged on the revaluation surplus. The Company also intends to revalue its office building in the subsequent year.

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

	June 30, 2008		June 30, 2007
	Cost	Net book value (Rupees in '000')	Net book value
Freehold land	31,411	31,411	-
Factory buildings	1,206,372	701,449	-
Plant & Machinery-line-I	4,034,141	2,278,875	2,442,498
Plant & Machinery-line-II including leased items	3,160,647	3,051,210	-
Coal firing system including leased items	357,802	253,367	187,995
	8,790,373	6,316,312	2,630,493

5.1.3. Additions to plant and machinery includes capitalization of exchange loss amounting to Rs. 33.255 million (2007: Rs. 35.101 million) arising on foreign currency loans (note 4.3.1).

	Note	2008 (Rupees in '000')	2007 (Rupees in '000')
Cost of sales	33	427,440	368,883
Distribution cost	34	3,432	2,409
Administrative expenses	35	4,434	4,436
		435,306	375,728

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

Cost of sales	33	427,440	368,883
Distribution cost	34	3,432	2,409
Administrative expenses	35	4,434	4,436
		435,306	375,728

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

Particulars	Cost	Accumulated depreciation	Written down value		Sale proceeds	Gain / (loss)	Mode of Disposal	Particulars of buyers
			(Rupees in '000')					
Television LG 36"	65	5	60	60	-	Company policy Ex-employee	Mr. Badar - ur - zaman	
Television Sony 29"	66	6	60	60	-	Company policy Ex-employee	Mr. Yahya Mubarik	
LCD 32"	130	4	126	126	-	Company policy Ex-employee	Mr. Badar - ud - din Fakhri	
Computers	567	222	345	339	(6)	Negotiation	Various	
Aggregate amount of assets disposed off having book value less than Rs. 50,000/- each	6,151	4,333	1,818	2,864	1,046	Negotiation	Various	
2008	6,979	4,570	2,409	3,449	1,040			
2007	7,139	5,585	1,554	4,274	2,720			

Notes To The Financial Statements

for the year ended June 30, 2008

- 5.1.6.** During the year, the management of the Company has changed their plan to sell the assets held for disposal which includes fuel burner and coal grinding mill having aggregate carrying value of Rs 32.847 million and accordingly transferred the aforesaid assets to fixed assets.

The management of the Company has now decided to use the above assets as an alternate option such as use of gas to operate fuel burner as and when required by the Company either wholly or in parts. The above change has been accounted for in accordance with the treatment prescribed in International Financial Reporting Standard – 5 “Non-Current Assets Held for Sale and Discontinued Operations” that resulted in additional depreciation charge of Rs. 2.22 million which is included in depreciation expense under cost of sales.

5.2. Capital work-in-progress

	Note	Opening balance	Additions (Rupees in '000')	Transferred to operating fixed assets	Closing Balance
Plant expansion					
Plant and machinery	5.2.1	-	117,085	56,064	61,021
Factory building					
Civil works		785	11,314	10,975	1,124
		<u>785</u>	<u>128,399</u>	<u>67,039</u>	<u>62,145</u>

- 5.2.1.** Includes borrowing costs amounting to Rs. nil (2007: Rs. 8.907 million), capitalized during the year.

	Note	2008 (Rupees in '000')	2007 (Rupees in '000')
6. LONG-TERM LOANS – secured, considered good			
House building loan to:			
- Executives	6.1 & 6.3	<u>6,699</u>	7,770
- Employees		<u>848</u>	1,012
		<u>7,547</u>	8,782
Motorcycle loan to employees	6.2	<u>325</u>	78
		<u>7,872</u>	8,860
Less: Current portion	11	<u>(1,457)</u>	(1,612)
		<u>6,415</u>	7,248

- 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 (2007: 5 percent) per annum. Maximum aggregate amount due from executives at the end of any month during the year was Rs. 6.699 million (2007: Rs. 7.770 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.

	2008 (Rupees in '000')	2007 (Rupees in '000')
6.3. A reconciliation of the house building loans to executives is as follows:		
Opening balance	7,770	4,533
Additions	-	4,111
Repayments	(1,071)	(874)
Closing balance	<u>6,699</u>	<u>7,770</u>

7. LONG-TERM DEPOSITS

Security deposits

- Utilities	35,741	35,730
- Leasing companies	89,267	91,217
- Others	1,283	1,320
	<u>126,291</u>	128,267
Less: Current portion of security deposits to leasing companies	<u>(18,290)</u>	(1,950)
	<u>108,001</u>	<u>126,317</u>

Notes To The Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
8. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		126,543	112,886
Spare parts		276,506	282,275
Loose tools		8,404	14,371
		<u>411,453</u>	<u>409,532</u>
Spare parts in transit		15,740	7,054
		<u>427,193</u>	<u>416,586</u>
9. STOCK-IN-TRADE			
Raw material		7,936	16,480
Packing material		35,751	13,978
Work in process		13,068	110,600
Finished goods		11,936	9,236
		<u>68,691</u>	<u>150,294</u>
10. ASSETS HELD FOR DISPOSAL			
	5.1.6	<u>-</u>	<u>32,847</u>
11. LOANS AND ADVANCES - considered good			
Loans – secured			
Current portion of long-term loans	6	1,457	1,612
Advances – unsecured			
Executives		2,607	1,385
Employees		2,059	2,915
Banks' margin	11.1	37,896	4,049
Suppliers, contractors and service providers		19,029	14,668
		<u>61,591</u>	<u>23,017</u>
		<u>63,048</u>	<u>24,629</u>
11.1. Includes Rs. 28.888 million (2007: Nil) in respect of margin against FE 25 loan from National Bank of Pakistan (note 29.1).			
12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		200	400
Short-term prepayments		227	641
		<u>427</u>	<u>1,041</u>
13. OTHER RECEIVABLES			
Receivable from WAPDA	13.1	19,381	-
Due from provident fund		235	-
Others		12	229
		<u>19,628</u>	<u>229</u>
13.1. Represents rebate claim under incentive package for industries from Water and Power Development Authority in accordance with their letter no. 677-97 / GMCS / DG (C) / DD (R&CP) / 57000 dated 19 September 2001.			
14. CASH AND BANK BALANCES			
Cash in hand			
Cheques in hand		768	777
		<u>62,258</u>	<u>-</u>
		<u>63,026</u>	<u>777</u>
With banks in:			
Current accounts			
- Local currency		76,103	304,604
- Foreign currency		-	57
		<u>76,103</u>	<u>304,661</u>
Deposit accounts			
- Local currency		41	41
- Foreign currency		13	13
	14.1	<u>54</u>	<u>54</u>
		<u>139,183</u>	<u>305,492</u>
14.1. These carry profit rates ranging from 0.75 percent to 2.5 percent (2007: 0.75 percent to 2.5 percent) per annum.			

Notes To The Financial Statements

for the year ended June 30, 2008

15. AUTHORIZED SHARE CAPITAL

2008 (No. of shares in '000')	2007 (No. of shares in '000')		2008 (Rupees in '000')	2007 (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

2008 (No. of shares in '000')	2007 (No. of shares in '000')	Note	2008 (Rupees in '000')	2007 (Rupees in '000')
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	15,068	Issued as fully paid bonus shares	150,682	150,682
29,718	-	Right share issued during the year	297,176	-
199,532	169,814	1.4	1,995,324	1,698,148

17. SURPLUS ON REVALUATION OF FIXED ASSETS – net of tax

Gross surplus

Opening balance of surplus on revaluation of fixed assets

885,759 929,758

Transferred to unappropriated profit in respect of incremental depreciation charged during the year

(45,494) (43,999)

Increase on revaluation carried out during the year

5.1.1 & 7.1 **2,240,714** -
3,080,979 885,759

Less: Deferred tax liability on :

Opening balance of revaluation
Incremental depreciation charged on related assets

311,556 325,416
(12,898) (13,860)

Deferred tax liability on surplus on revaluation

23.2 **542,465** -
841,123 311,556

Closing balance of surplus on revaluation of fixed assets

2,239,856 574,203

17.1. Includes surplus on revaluation of freehold land amounting to Rs. 29.325 million (2007: nil).

18. LONG-TERM FINANCING – Secured

From banking companies and other financial institutions:

From a Syndicate Bankers Equity Limited - under liquidation (BEL) 37,500
Term Finance Certificates (TFCs) 18.1 **106,833** 140,848
106,833 178,348

Less: Current portion of:

- From a Syndicate 37,500
- Bankers Equity Limited - under liquidation (BEL) 68,245
Term Finance Certificates (TFCs) 30 **29,982** 105,745

76,851 72,603

Notes To The Financial Statements

for the year ended June 30, 2008

18.1. During the year the Company has requested to the official assignee of Honourable Sindh High Court, the liquidator of Bankers Equity Limited for extending the termination date for repayment of loan for a period of 2 years. The Official assignee has accepted the request and allowed the extension in existing repayment schedule upto June, 2011. The agreement is in the process of formal approval of the Honourable Sindh High Court but the Company has taken the effect of rescheduling in the books.

18.2. Following are the terms and conditions of rescheduled loan as pending in the High Court of Sindh for approval:

Repayment	September 30, 2004 to June 30, 2011
Number of installments	12 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 on 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 2008 to June 2011.

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. 551.037 million (2007: Rs. 848.445 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 13.92 percent to 18.50 percent (2007: 13.5 percent to 15 percent) per annum have been used as discounting factor. The finance lease liability is as follows:

Note	2008		2007	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present value
	(Rupees in '000')			
Upto one year	294,373	248,488	301,242	225,440
One year to five years	256,664	237,796	547,203	486,577
	<u>551,037</u>	<u>486,284</u>	848,445	712,017
Less: Finance charges allocated to future periods	64,753	-	136,428	-
	<u>486,284</u>	<u>486,284</u>	712,017	712,017
Less: Current maturity	30	248,489	225,440	225,440
		<u>237,795</u>	<u>486,577</u>	<u>486,577</u>

20. LONG-TERM MUSHARAKA FINANCE

This facility has been 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. The full outstanding amount of facility has been classified under current portion of long-term liabilities (note 30).

	Note	2008 (Rupees in '000')	2007
21. LONG-TERM DEPOSITS			
From employees	21.1	1,225	4,012
From suppliers and distributors		616	1,235
		<u>1,841</u>	<u>5,247</u>

Notes To The Financial Statements

for the year ended June 30, 2008

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

	Note	2008 (Rupees in '000')	2007
22. LONG-TERM CREDITOR – unsecured			
Contractor	22.1	21,497	29,008
Less: Current portion	25.1	(6,383)	(7,511)
		<u>15,114</u>	<u>21,497</u>

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

23. DEFERRED LIABILITIES

Deferred interest / mark up			
Bankers Equity Limited – TFCs	18	107,726	133,183
Asian Development Bank	24.1	119,976	91,973
Bankers Equity Limited – LMM	24.3	32,200	39,852
National Bank of Pakistan (Former NDFC)	23.1 & 24.4	442,784	539,043
Industrial Development Bank of Pakistan	24.6	53,887	53,887
		<u>756,573</u>	<u>857,938</u>
Less: Current portion	30	301,035	247,501
		<u>455,538</u>	<u>610,437</u>
Deferred taxation	23.2	450,648	326,741
		<u>906,186</u>	<u>937,178</u>

23.1. It carries service fee at the rate of 2 percent (2007: 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. Deferred taxation

Credit balance arising due to:

- accelerated tax depreciation		854,468	1,030,477
- surplus on revaluation of fixed assets	17	841,123	311,556
		<u>1,695,591</u>	<u>1,342,033</u>

Debit balance arising due to:

- available tax losses		(1,242,019)	(987,646)
- compensated absences		(2,924)	(27,646)
		<u>(1,244,943)</u>	<u>(1,015,292)</u>
		<u>450,648</u>	<u>326,741</u>

Notes To The Financial Statements

for the year ended June 30, 2008

24. LONG-TERM LOANS – secured

	Note	Number	Installments		2008	2007
			Commencing from	Rate of interest / markup		
Foreign Currency Loans						
From banking companies and other financial institutions:						
Asian Development Bank (ADB)						
- Japanese Yen	24.1	9 half yearly	November 15, 2006	1.3% above 6 months LIBOR	549,900	451,358
Asian Finance & Investment Corporation Limited (AFIC) – US Dollar	24.2	23 quarterly	March 31, 2007	2.5% above 3 months LIBOR	221,569	223,444
					771,469	674,802
Local Currency Loans						
From banking companies and other financial institutions:						
Bankers Equity Limited - Locally						
Manufactured Machinery (LMM)	24.3	21 quarterly	September 30, 2004	1.26%	115,001	152,247
National Bank of Pakistan (NBP)	24.4 & 24.5	30 quarterly	March 31, 2006	2% above 3 months KIBOR	341,851	413,402
National Bank of Pakistan (Former NDFC)	24.4 & 24.8	30 quarterly	March 31, 2006	2% above 3 months KIBOR	260,060	298,107
Industrial Development Bank of Pakistan (IDBP)	24.6 & 24.8	25 quarterly	December 31, 2006	8.62%	58,008	69,757
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	24.7	12 quarterly	May 31, 2006	3% above 6 months KIBOR	30,000	70,000
National Bank of Pakistan (NBP)	24.9	12 quarterly	May 2006	2.5% above 6 months KIBOR	93,699	187,480
National Bank of Pakistan (NBP)	24.10	8 half yearly	December 2008	2.5% above 6 months KIBOR	500,000	500,000
The Bank of Punjab	24.11	36 monthly	July 2008	3.5% above 3 months KIBOR	500,000	500,000
					1,898,619	2,190,993
					2,670,088	2,865,795
					(968,311)	(572,086)
					1,701,777	2,293,709
Less: Current portion	30					

- 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 2008 to June 2011 (Note 23).
- 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).

Notes To The Financial Statements

for the year ended June 30, 2008

- 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.** 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.** 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 within 90 days.

	Note	2008	2007
		(Rupees in '000')	
25. CREDITORS AGAINST EXPANSION PROJECT			
Related party			
DAL Teknik		-	209,774
Other suppliers and contractors	25.1	<u>29,594</u>	<u>73,654</u>
		<u>29,594</u>	<u>283,428</u>
25.1. Includes Rs. 6.383 million (2007: Rs. 7.511 million) in respect of current portion of long-term creditor.			
26. TRADE AND OTHER PAYABLES			
Creditors		357,612	189,450
Accrued expenses		96,126	72,290
Advances from customers		175,599	88,459
Payable to provident fund		-	1,850
Payable to staff gratuity fund	26.1.1	55,392	73,409
Deposits		29,332	8,955
Excise duty payable on cement		82,688	1,159
Royalty		3,065	4,954
Withholding tax		1,492	804
Employees' compensated absences	26.2	11,917	14,425
Unclaimed dividend		3,156	3,505
Book overdraft		46,886	-
Others		-	7,043
		<u>863,265</u>	<u>466,303</u>

Notes To The Financial Statements

for the year ended June 30, 2008

	2008	2007
	(Rupees in '000')	
26.1. Defined benefit plan		
26.1.1. The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	72,672	88,370
Fair value of plan assets	(1,097)	-
Unrecognised actuarial loss	(16,183)	(14,961)
Liability recognised in the balance sheet	<u>55,392</u>	<u>73,409</u>
26.1.2. The amount recognised in the profit and loss account is as follows:		
Current service cost	10,328	9,717
Interest cost	8,837	7,488
Actuarial loss recognised	612	848
	<u>19,777</u>	<u>18,053</u>
26.1.3. Movement in liability recognised in the balance sheet is as follows:		
Balance as at July 01	73,409	64,707
Net charge for the year	19,777	18,053
	<u>93,186</u>	<u>82,760</u>
Contributions made by the Company during the year	(3,455)	(9,351)
Benefits paid by the company	(34,339)	-
Balance as at June 30	<u>55,392</u>	<u>73,409</u>
26.1.4. Movement in the present value of defined benefit obligation:		
Balance as at July 01	88,370	82,560
Current service cost	10,328	9,717
Interest cost	8,837	8,336
Benefits paid during the year	(36,697)	(9,351)
Actuarial loss / (gain) for the year	1,834	(2,892)
Balance as at June 30	<u>72,672</u>	<u>88,370</u>
26.1.5. Movement in fair value of plan assets:		
Contributions made by the Company	3,455	-
Benefits paid during the year	(2,358)	-
	<u>1,097</u>	<u>-</u>

Notes To The Financial Statements

for the year ended June 30, 2008

- 26.1.6.** The principal assumptions used in the actuarial valuations carried out as of June 30, 2008 using the 'Projected Unit Credit' method are as follows:

	2008	2007
	(Rupees in '000')	
Expected rate of increase in salary level	12%	10%
Valuation discount rate	12%	10%
Expected mortality rate	EFU (61-66)	EFU (61-66)
	Mortality	Mortality
	Table	Table
Expected withdrawal rate	EFU (61-66)	EFU (61-66)
	Mortality	Mortality
	Table	Table
Rate of return of plan assets	10	-

Comparisons for past years:

As at June 30	2008	2007	2006	2005	2004
	(Rupees in '000')				
Present value of defined benefit obligation	<u>72,672</u>	<u>88,370</u>	<u>82,560</u>	<u>64,358</u>	<u>50,012</u>
Fair value of plan assets	<u>1,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficit	<u>71,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2008
(Rupees in '000')

26.2. Employees' compensated absences

Opening balance	14,425	16,190
Expense for the year	5,624	1,984
	20,049	18,174
Payment made during the year	(8,132)	(3,749)
Closing balance	11,917	14,425

27. SHORT-TERM MURABAHA – secured

Represents Murabaha finance facility obtained by the Company from First Dawood Investment Bank Limited, a related party, carrying profit rate of 4.5 percent above 6 months KIBOR. The facility was repayable upto 21 August 2008 and is secured against the pledge of coal stock, demand promissory note and personal guarantees of two Directors of the Company.

28. SHORT-TERM MUSHARAKA – secured

Represents short-term musharaka financing obtained from First Dawood Investment Bank Limited, a related party, carrying markup rate of 5.5 percent above 6 months KIBOR to be revised semi annually and is secured against hypothecation charge over fixed and current assets of the Company with 25% margin.

Note **2008** **2007**
(Rupees in '000')

29. SHORT-TERM FINANCES

National Bank of Pakistan – FE 25	29.1	299,991	-
First Credit Investment Bank Ltd	29.2	11,694	-
		311,685	-

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

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

Notes To The Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
30. CURRENT PORTION OF LONG-TERM LIABILITIES			
Long-term financing	18	29,982	105,745
Long-term loans	24	968,311	572,086
Liabilities against assets subject to finance lease	19	248,489	225,440
Long-term musharaka finance	20	50,000	-
Deferred liabilities	23	301,035	247,501
		<u>1,597,817</u>	<u>1,150,772</u>

31. CONTINGENCIES AND COMMITMENTS

31.1. Contingencies

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

In view of the above, during the year the Company has filed a refund claim amounting to a sum of Rs. 734,055,837/- before Collector, sales tax and federal excise duty, Government of Pakistan (the Department) which is pending determination by the Department, hence, presently the same has not been accounted for in the books of account of the Company.

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

31.1.3. Demands of sales tax including additional tax and penalty on lime stone and clay amounting to Rs. 16.465 million, Rs. 4.518 million and Rs. 8.292 million were raised by the Sales Tax Department. The case for Rs. 16.465 million has been remanded back to the Lahore High Court by the Supreme Court of Pakistan, while the case for Rs. 4.518 million is pending in the Lahore High Court. The case for Rs. 8.292 million is decided by the Collector of Sales Tax (Appeal) on February 03, 2007 partially reducing the value of sales tax amount from Rs. 8.292 million to Rs. 2.80 million. The Company had deposited Rs. 1.50 million and filed an appeal against the order of Collector Sales Tax (Appeal) in Sales Tax Tribunal, Lahore. The hearing of the case is yet to be fixed.

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

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

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

Notes To The Financial Statements

for the year ended June 30, 2008

31.1.7. The Company has challenged the applicability of the marking fee on the production of the cement at the rate of 0.15% as levied by The Pakistan Standards and Quality Control Act, 1996 on the grounds that this fee is charged without any nexus with services, in fact shows that it is being charged as a tax and thus is in violation of the rights guaranteed under Article 4, 18, 25 and 77 of the Constitution of Pakistan, 1973. However, the Company on prudence grounds provided for the above fee in the current financial statements.

31.2. Commitments

31.2.1. Commitments in respect of outstanding letters of credit amount to Rs.52.240 million (2007: Rs. 52.002 million).

	Note	2008 (Rupees in '000')	2007
32. GROSS TURNOVER			
Local		5,150,358	4,276,682
Export		1,457,060	371,973
		<u>6,607,418</u>	<u>4,648,655</u>
33. COST OF SALES			
Raw material consumed	33.1	336,729	266,895
Packing material consumed		366,057	249,081
Fuel and power		2,712,875	1,596,171
Stores and spare parts consumed		145,887	123,061
Salaries, wages and benefits	33.2	176,297	190,478
Travelling and conveyance		15,698	16,122
Insurance		10,423	10,072
Repairs and maintenance		51,717	46,517
Communication		2,695	2,894
Fee and subscription		4,468	3,436
Depreciation	5.1.4	416,238	357,681
Other manufacturing expenses		6,236	10,045
Total cost		<u>3,908,591</u>	<u>2,605,558</u>
		<u>4,245,320</u>	<u>2,872,453</u>
Work in process			
Opening balance		110,600	44,196
Closing balance	9	(13,068)	(110,600)
		97,532	(66,404)
Cost of goods manufactured		<u>4,342,852</u>	<u>2,806,049</u>
Finished goods			
Opening balance		9,235	16,495
Closing balance	9	(11,936)	(9,235)
		(2,701)	7,260
		<u>4,340,151</u>	<u>2,813,309</u>
33.1. Raw material consumed			
Opening balance		16,480	23,609
Quarrying / transportation / purchases and other overheads (net of consumption charged to trial runs)	33.1.1	329,235	259,766
		345,715	283,375
Closing balance	9	(7,936)	(16,480)
		337,779	266,895
Duty drawback on exports		(1,050)	-
		<u>336,729</u>	<u>266,895</u>

33.1.1. Includes depreciation amounting to Rs. 11.202 (2007: Rs. 11.202) million (note 5.1.4).

Notes To The Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
33.2. Includes employees' benefits as follows:			
Defined contribution plan		2,635	2,906
Defined benefit plan		10,288	11,189
Compensated absences		3,206	1,080
		<u>16,129</u>	<u>15,175</u>
34. DISTRIBUTION COSTS			
Salaries, wages and benefits	34.1	31,895	29,077
Travelling and conveyance		1,011	1,169
Vehicle running expenses		3,128	3,407
Communication		3,005	2,452
Printing and stationery		1,490	1,308
Rent, rates and taxes		2,676	1,768
Utilities		1,331	1,627
Repairs and maintenance		1,269	1,854
Legal and professional charges		3,447	1,342
Insurance		847	688
Fee and subscription		1,036	1,193
Advertisements / sales promotion		1,236	5,406
Freight and handling charges	34.2	409,457	53,931
Entertainment		787	771
Depreciation	5.1.4	3,432	2,409
Others		-	3
		<u>466,047</u>	<u>108,405</u>
34.1. Includes employees' benefits as follows:			
Defined contribution plan		886	986
Defined benefit plan		1,839	2,450
Compensated absences		931	352
		<u>3,656</u>	<u>3,788</u>
34.2. Represents handling charges against export sales.			
35. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	35.1	57,529	52,268
Travelling and conveyance		4,177	5,155
Vehicle running expenses		3,319	3,256
Communication		2,262	2,943
Printing and stationery		1,786	1,628
Rent, rates and taxes		1,995	4,142
Utilities		2,583	2,660
Repairs and maintenance		1,544	1,792
Legal and professional charges		3,108	1,791
Insurance		892	837
Auditors' remuneration	35.2	3,033	1,289
Fee and subscription		2,402	3,180
Depreciation	5.1.4	4,434	4,436
Entertainment		693	828
Others		221	671
		<u>89,978</u>	<u>86,876</u>
35.1. Includes employees' benefits as follows:			
Defined contribution plan		2,026	2,092
Defined benefit plan		7,651	4,415
Compensated absences		1,709	552
		<u>11,386</u>	<u>7,059</u>

Notes To The Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
35.2. Auditors' remuneration			
Annual audit fee		700	500
Fee for half yearly review		400	300
Special certifications and other advisory services		1,775	390
Out of pocket expenses		158	99
		<u>3,033</u>	<u>1,289</u>
36. OTHER OPERATING INCOME			
Profit on bank deposits		402	600
Interest on long-term loans		341	285
Scrap sales		6,738	7,813
Gain on disposal of fixed assets	5.1.5	1,040	2,720
Refund from State Bank of Pakistan	36.1	20,000	-
Others		2,109	269
		<u>30,630</u>	<u>11,687</u>
36.1. Represents refund of exchanges risk coverage fee deposited with State Bank of Pakistan under Exchange Risk Coverage Scheme.			
37. FINANCE COSTS			
Mark-up on:			
Long-term financing		15,482	53,488
Long-term loans - local currency		239,621	137,576
Lease financing		73,334	87,287
		<u>328,437</u>	<u>278,351</u>
Profit on Musharaka and Murabaha financing		25,789	20,054
Interest on:			
Long-term loans - foreign currency		30,113	28,222
Workers' Profits Participation Fund		-	4,236
Short-term finance		4,201	-
		<u>34,314</u>	<u>32,458</u>
Fee, charges and commission			
Service charges		9,709	10,781
Bank charges		9,985	4,022
Others		3,203	1,230
		<u>22,897</u>	<u>16,033</u>
Advisory, arrangement and upfront fee		1,766	18,952
		<u>413,203</u>	<u>365,848</u>
38. OTHER OPERATING EXPENSES			
Exchange losses – net		148,799	5,322
Donations	38.1	224	379
Loss on insurance claim		-	422
Reversal of provision of duty drawback on export		-	985
Others		6	-
		<u>149,029</u>	<u>7,108</u>
38.1. No directors or sponsors have any interest in any donee to whom donations were made.			

Notes To The Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in '000')	2007
39. TAXATION			
Current	39.1	(24,514)	(18,300)
Deferred		418,557	109,247
		<u>394,043</u>	<u>90,947</u>

39.1. 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.

40. BASIC AND DILUTED EARNINGS PER SHARE

			Restated
Loss after taxation		<u>(179,971)</u>	<u>(93,494)</u>
Weighted average number of ordinary shares in issue (in '000')		<u>194,152</u>	<u>187,794</u>
Basic loss per share (Rupee)		<u>(0.93)</u>	<u>(0.50)</u>

40.1. 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. 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.

40.2. The weighted average number of shares for the year 2007 have been adjusted for the effects of any bonus elements included in right shares.

41. TRANSACTIONS WITH RELATED PARTIES

The related parties include major shareholders, entities having directors in common with the Company, directors and other key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment and transactions with such reflected elsewhere in these financial statements are as under:

Major shareholders

DAL Teknik, Turkey		
Payment against purchase of plant and machinery	240,000	8,730

Entities having directors in common with the Company

First Dawood Investment Bank		
Murabaha finance obtained	81,550	-
Musharaka finance obtained	40,000	-
Repayment of lease financing	24,253	25,550
Repayment of against Murabaha facility	54,400	-
Finance Cost	24,975	18,256
Under Writer's Commission	446	-
BRR International Modaraba		
Repayment of lease financing	9,848	8,547
Finance cost paid	2,882	5,440
Guardian Modaraba		
Repayment of lease financing	10,391	9,026
Finance cost paid	3,979	5,285

Staff retirement contribution plan

Contribution to staff provident fund	5,657	5,985
Contribution to staff gratuity fund	19,777	18,054

41.1. Certain assets are being used by the employees of the Company in accordance with their terms of employment. Further, there are no transactions with key management personnel other than under the terms of employment as disclosed in note 43 of the financial statements.

Notes To The Financial Statements

for the year ended June 30, 2008

41.2. The related party status of outstanding receivables and payables as at June 30, 2008 are disclosed in respective notes to the financial statements.

42. FINANCIAL INSTRUMENTS

42.1. Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

During 2008, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2008 and June 30, 2007 were as follows:

	2008	2007
	(Rupees in '000')	
Long-term financing	76,851	72,603
Liabilities against asset subject to finance lease	237,795	486,577
Long-term Musharaka finance	-	50,000
Long-term creditor	15,114	21,497
Deferred liabilities	455,538	610,437
Long-term loans	1,701,777	2,293,709
Creditors against expansion project	29,594	283,428
Trade and other payables	863,265	466,303
Accrued interest / mark-up on borrowings	110,932	72,176
Short-term finances	311,685	-
Short-term Murabaha finance	27,151	99,720
Short-term Musharaka finance	40,000	-
Current portion of long-term liabilities	1,597,817	1,150,772
Total debt	5,467,519	5,607,222
Less: Cash and bank balances	(139,183)	(305,492)
Net debt	5,328,336	5,228,320
Share capital	1,995,324	1,698,148
Reserves	310,112	398,076
Equity	2,305,436	2,096,224
Capital	7,633,772	7,324,544
Gearing ratio	69.80%	71.38%

The Company finances its investment portfolio through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

42.2. Liquidity risk

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

Notes To The Financial Statements

for the year ended June 30, 2008

42.3. 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:

	2008				
	Total	Exposed to yield / mark up rate risk			Not exposed
		Maturity to yield / upto one Year	Maturity to yield / after one Year	Sub-total	to yield / mark up rate Risk
(Rupees in '000')					
Financial Assets					
Loans	7,872	1,457	6,415	7,872	-
Deposits	126,291	-	-	-	126,291
Trade debts	40,124	-	-	-	40,124
Loans and advances	56,925	-	-	-	56,925
Other receivables	19,628	-	-	-	19,628
Cash and bank balances	139,183	54	-	54	139,183
Total	390,023	1,511	6,415	7,926	382,097
Financial Liabilities					
Term financing	106,833	29,982	76,851	106,833	-
Liabilities against assets subject to finance lease	551,037	294,373	256,664	551,037	-
Deposits	1,841	-	-	-	1,841
Long-term creditor	21,497	6,383	15,114	21,497	-
Deferred liabilities	756,573	166,834	383,676	550,510	206,063
Long-term loans	2,670,088	968,311	1,701,777	2,670,088	-
Creditors against expansion project	29,594	-	-	-	29,594
Trade and other payables	600,401	-	-	-	600,401
Murabaha finance	40,000	40,000	-	40,000	-
Interest / mark up accrued	110,932	-	-	-	110,932
Total	4,888,796	1,505,883	2,434,082	3,939,965	948,831

Notes To The Financial Statements

for the year ended June 30, 2008

	Total	2007			Not exposed to yield / mark up rate Risk
		Exposed to yield / mark up rate risk			
		Maturity to yield / upto one Year	Maturity to yield / 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

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

42.4. 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.

42.5. Foreign exchange risk management

Foreign currency risk arises mainly where payables exists due to the transactions with foreign undertakings. The Company is exposed to foreign exchange risk with respect to foreign currency loans payable amounting to Rs. 771.469 million (2007: Rs. 674.802 million) and interest payable on foreign currency loans amounting to Rs. 132.650 million (2007: Rs. 120.195 million) as disclosed in note 23 to these financial statements. Foreign currency liabilities are also exposed to risk amounting to Rs. nil (2007: Rs. 209.774 million) as shown in note 24 to these financial statements. The management has assessed that hedging its foreign currency borrowings will be more expensive than self assuming the risk. This risk management strategy is reviewed each year on the basis of market conditions.

42.6. Fair value of financial instruments

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

Notes To The Financial Statements

for the year ended June 30, 2008

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Executives	
	2008	2007	2008	2007
Total number	1	1	15	15
	(Rupees in '000')			
Basis salary	4,200	4,200	17,188	17,637
Contribution to provident fund trust	420	420	1,420	1,764
Contribution to gratuity	508	508	10,700	2,654
Allowances & benefits:				
- House rent	1,890	1,890	7,451	7,937
- Utilities	609	609	1,419	1,959
- Cost of living allowance	-	-	56	64
- Medical	609	609	2,639	2,494
- Leave fare assistance	-	-	-	2,212
- Bonus / ex gratia	-	-	-	1,432
- consolidated allowance	-	-	6,108	-
- Others	-	-	-	3,238
	8,236	8,236	46,981	41,391

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.

44. CASH GENERATED FROM OPERATIONS

	2008	2007
	(Rupees in '000')	
Loss before taxation	(574,014)	(184,441)
Adjustments for non cash and other items:		
Depreciation	435,306	375,728
Provision for gratuity and compensated absences	25,624	20,037
Finance cost	413,203	365,848
Profit on disposal of property, plant and equipment	(1,040)	(2,720)
Workers' Profits Participation Fund	-	-
Reversal of provision for duty drawback on export	-	985
Exchange loss	149,477	5,150
	1,022,570	765,028
Cash flows before working capital changes	448,556	580,587
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(17,043)	(40,727)
Stock-in-trade	81,603	(53,536)
Trade debts	(10,407)	(17,227)
Loans and advances	(38,419)	(7,030)
Deposits and prepayments	614	509
Other receivables	(19,399)	542
	(3,042)	(117,469)
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(253,834)	(36,880)
Trade and other payables	361,561	66,596
Sales tax payable	3,757	(30,226)
	111,484	(510)
	108,442	(117,979)
	556,998	462,608

Notes To The Financial Statements

for the year ended June 30, 2008

	2008 Mt. Tons	2007 Mt. Tons
45. PRODUCTION CAPACITY		
Rated capacity - clinker		
- Line I (after optimization)	705,000	705,000
- Line II	<u>1,290,000</u>	<u>1,290,000</u>
	<u>1,995,000</u>	<u>1,995,000</u>
Actual production – clinker		
- Line I	625,846	555,331
- Line II	<u>1,014,246</u>	<u>682,837</u>
	<u>1,640,092</u>	<u>1,238,168</u>

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

Sales – cement		
- Local	1,337,224	1,136,958
- Export Cement	154,358	130,284
- Clinker	<u>293,432</u>	<u>-</u>
	<u>1,785,014</u>	<u>1,267,242</u>

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 7th October 2008 by the Board of Directors of the Company.

47. 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	
Profit and loss account	Freight and handling charges	Distribution expenses	53,931
Balance sheet	Deferred liabilities	Trade and other payables	73,409

48. GENERAL

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



CHIEF EXECUTIVE



CHAIRMAN

Pattern of Shareholding

as at June 30, 2008

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES FROM	NUMBER OF SHARES TO	TOTAL SHARES HELD	PERCENTAGE
1942	1	100	62,220	0.03
2264	101	500	574,571	0.29
1684	501	1000	1,224,323	0.61
1739	1001	5000	3,653,839	1.83
280	5001	10000	1,978,298	0.99
116	10001	15000	1,432,254	0.72
63	15001	20000	1,116,290	0.56
26	20001	25000	603,991	0.30
23	25001	30000	646,448	0.32
14	30001	35000	456,349	0.23
12	35001	40000	454,310	0.23
9	40001	45000	389,069	0.19
7	45001	50000	337,833	0.17
5	50001	55000	261,036	0.13
7	55001	60000	408,494	0.20
1	60001	65000	64,469	0.03
2	65001	70000	135,500	0.07
5	70001	75000	367,834	0.18
4	75001	80000	311,032	0.16
3	80001	85000	243,209	0.12
5	85001	90000	444,560	0.22
3	90001	95000	275,574	0.14
6	95001	100000	588,913	0.30
2	100001	105000	205,116	0.10
2	105001	110000	212,524	0.11
1	110001	115000	111,146	0.06
1	115001	120000	120,000	0.06
3	125001	130000	384,064	0.19
1	155001	160000	156,662	0.08
2	160001	165000	325,956	0.16
1	170001	175000	175,000	0.09
1	175001	180000	176,123	0.09
1	190001	195000	192,368	0.10
2	195001	200000	400,000	0.20
1	200001	205000	205,000	0.10
1	265001	270000	265,995	0.13
1	285001	290000	286,755	0.14
1	290001	295000	294,000	0.15
1	295001	300000	300,000	0.15
1	300001	305000	300,035	0.15
1	315001	320000	320,000	0.16
1	320001	325000	322,353	0.16
2	350001	355000	706,391	0.35
1	385001	390000	387,828	0.19
1	395001	400000	400,000	0.20
1	440001	445000	444,000	0.22
1	470001	475000	470,635	0.24
1	490001	495000	490,031	0.25
1	495001	500000	500,000	0.25
1	575001	580000	575,406	0.29
1	715001	720000	717,000	0.36
1	740001	745000	744,000	0.37
1	755001	760000	757,500	0.38
1	810001	815000	810,186	0.41
1	855001	860000	860,000	0.43
1	1000001	1005000	1,000,500	0.50
1	1035001	1040000	1,040,000	0.52
1	1170001	1175000	1,175,000	0.59
1	1235001	1240000	1,239,944	0.62
1	1270001	1275000	1,271,563	0.64
1	1300001	1305000	1,304,411	0.65
1	1305001	1310000	1,309,817	0.66
1	1775001	1780000	1,777,435	0.89
1	2440001	2445000	2,442,872	1.22
1	2585001	2590000	2,587,640	1.30
1	3155001	3160000	3,155,168	1.58
1	3295001	3300000	3,300,000	1.65
1	3825001	3830000	3,826,151	1.92
1	4515001	4520000	4,515,599	2.26
1	8570001	8575000	8,571,583	4.30
1	8980001	8985000	8,981,643	4.50
1	11040001	11045000	11,044,700	5.54
1	13885001	13890000	13,887,808	6.96
1	15795001	15800000	15,800,000	7.92
1	18810001	18815000	18,814,141	9.43
1	63835001	63840000	63,839,825	31.99
8280			199,532,290	100.00

Categories of Shareholders Shares Held Percentage

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, and their spouse and minor children	86,084,744	43.14
Associated Companies, undertakings and related parties	3,826,151	1.92
NIT	1,271,563	0.64
ICP	42,800	0.02
Banks, Development Financial Inst., Non - Banking Financial Institutions	27,697,512	13.88
Insurance Companies	105,258	0.05
Modarabas and Mutual Funds	283,511	0.14
Share holders holding 10%	79,639,825	39.91
General Public		
a: Local	33,891,847	16.99
b: Foreign	77,539	0.04
OTHERS	51,391,879	25.76
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

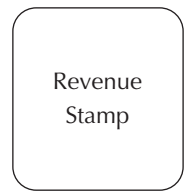
or failing him _____ Name

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 22nd Annual General Meeting of the Company to be held on Friday, October 31, 2008 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 _____ 2008.

Signature of Shareholder



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.